HALLIBURTON COMPANY

1986 ANNUAL REPORT

Halliburton Company

Profile

Halliburton Company is one of the world s larger and more diversified oil field services and engineering/construction organizations

The oil field services group is a major provider of products and services both onshore and offshore to the exploration and production segments of the petroleum industry

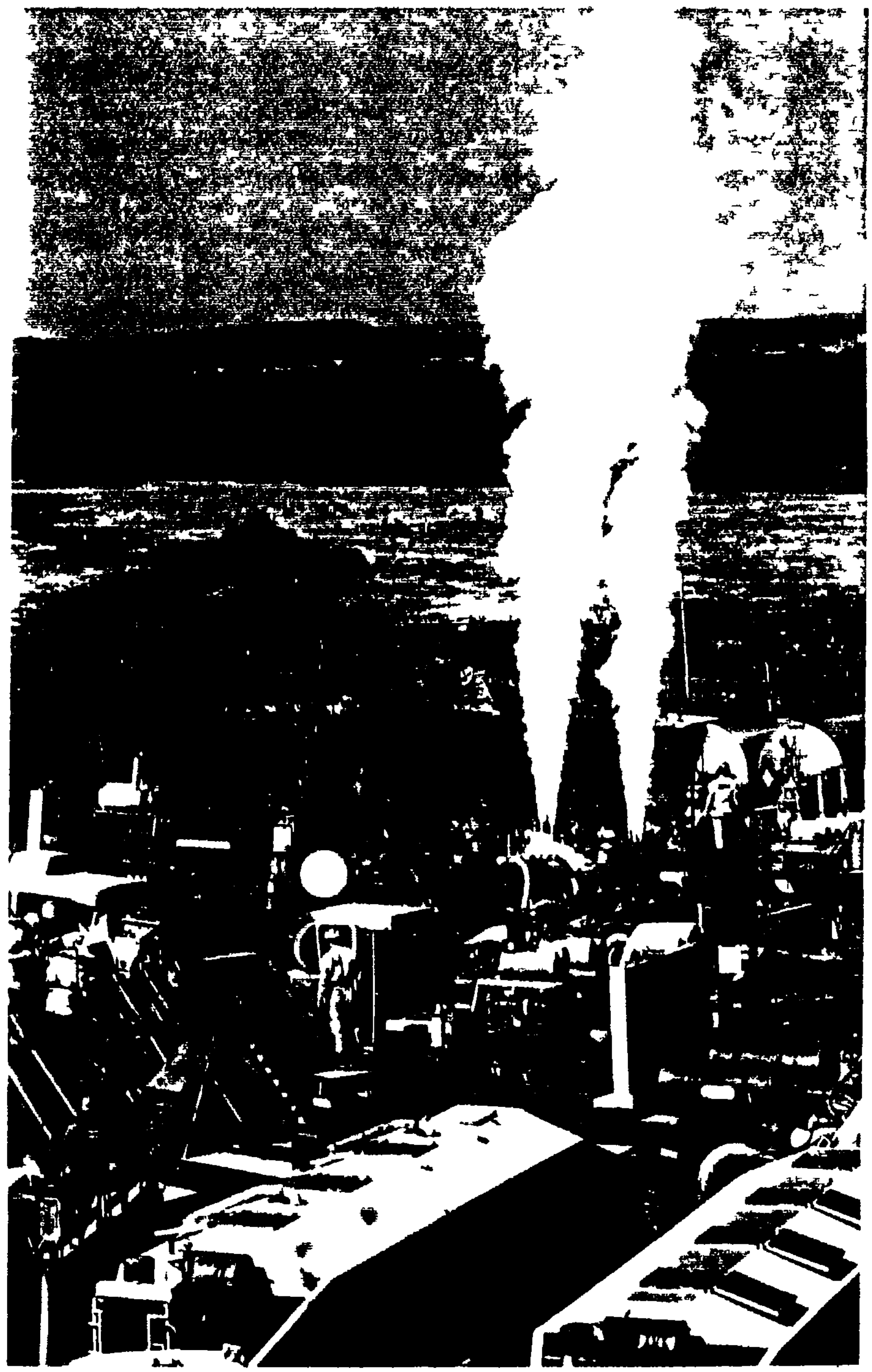
Industrial engineering/construction services are performed for the petroleum industry public utilities general industry and government Services include the design construction and maintenance of industrial facilities

Marine engineering/construction services are performed predominantly for the petroleum industry These services include the design fabrication and installation of offshore structures facilities and pipelines

Approximately three fourths of revenues are derived from services to including construction for the petroleum industry

Generally 30 percent of revenues come from international sales and services

The Company also is engaged in the property casualty and life insurance businesses



COVER Returning from a remote wellsite a large Halliburton fracturing unit passes through colorful fall foliage in the foothills of southeastern Oklahoma

RIGHT Perched on a hillside in the San Bois mountains Halliburton equipment and people fracture a gas well in the Arkoma Basin of Oklahoma

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Comparative Highlights

	1986	1985	Increase (Decrease)
	(Dollars in thousands except per share data)		
Income (loss) per share before extraordinary item	$ (4 85)	$ 27	—
Net income (loss) per share	(4 85)	(3 12)	—
Cash dividends paid per share	1 20	1 80	(33)%
Net revenues	3 509 439	4 778 695	(27)%
Operating income (loss)	(594 692)	89 073	—
Nonoperating income (expense) net	(1 675)	25 660	—
Income (loss) before extraordinary item	(515 214)	28 736	—
Net income (loss)	(515 214)	(339 276)	—
Cash dividends paid	127 434	195 561	(35)%
Shareholders equity	2 150 172	2 857 854	(25)%
Acquisitions of property plant and equipment	97 477	239 062	(59)%
Depreciation and net book value of fixed assets retired	300 418	384 027	(22)%
Shareholders of record	25 904	25 274	2 %
Common shares outstanding at year end	105 910 000	108 650 000	(3)%

Includes special write downs of $502 915 000 and $257 830 000 in 1986 and 1985 respectively (see Note 5 to financial statements on page 23)

Quarterly common stock price ranges

(New York Stock Exchange)	First		Second		Third		Fourth	
	High	Low	High	Low	High	Low	High	Low
1986	$28	$21½	$23⅞	$19⅝	$23⅝	$17⅜	$25⅞	$20⅝
1985	32[illegible]	26[illegible]	32[illegible]	28[illegible]	30[illegible]	24[illegible]	28[illegible]	24[illegible]

Contents

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Modest second-half recovery, strong financial condition bolster Company's hopes for future

To Our Shareholders

Seldom has a company been so severely tested as was Halliburton in 1986

I am proud to report that your Company responded well — albeit at a considerable cost to its human and financial resources

After being hit hard early in the year by the consequences of the collapse in oil prices we regrouped and adjusted By mid year we began the road back to recovery At the end of the third quarter Halliburton essentially was breaking even and in the fourth quarter we managed a small profit

Revenues for the year were $3 5 billion in 1985 they were nearly $4 8 billion The net loss for 1986 was $515 2 million $4 85 per share Special write downs of almost $489 million were made to recognize the loss in economic value of operating assets and related investments Excluding the write downs the net loss was $26 5 million or 25 cents per share

In 1985 the Company had $563 million of special charges to reflect write downs in marine assets and settlement of the South Texas Nuclear Project litigation Without these charges income for 1985 was $273 7 million or $2 06 per share

Despite the declines in revenues and income we ended 1986 in strong financial condition We had $513 4 million in cash and marketable securities even after stock repurchases of $70 9 million and prepayments on long term debt totaling $202 5 million Our debt to equity ratio remains extremely low and is now about 10%

To meet market conditions we found it necessary to further reduce our workforce about 18 000 people thus substantially lowering our compensation costs

Additional steps taken to reduce costs and conserve cash included plant consolidations disposal of excess equipment and facilities 59% lower capital expenditures and a reduction in the annual dividend rate from $1 80 a share to $1 00 a share

In other moves Halliburton continued to reposition some of its operating units in order to increase their strength and competitiveness

In oil field services IMCO entered into a joint venture with Dresser Industries Magcobar Division to create a more competitive drilling fluids business Emphasis was placed on gaining increased acceptance of Welex s Precision Logging System (PLS) now considered by many of our customers to be one of the better systems in the industry

Engineering and construction activities were scaled back reorganized and refocused This has resulted in deemphasizing some markets particularly marine fabrication and heavy lift derrick barge operations while stressing others such as engineering and pipelay New alliances were sought with international partners to enhance Brown & Root s competitive position in both onshore and offshore markets

Not all moves were defensive In fact several new seed businesses such as hazardous waste management waste to energy cogeneration and facilities operation and maintenance have been initiated and may develop into significant opportunities Industrial services is an older business on which we continue to place strong emphasis

Our insurance companies continue to perform well Highlands our property and casualty company is aggressively seeking new markets among smaller to medium sized industrial risks Life Insurance Company of the Southwest is cooperating with another Halliburton subsidiary Health Economics Corporation to develop a line of health and medical oriented services

Looking back on those boom years of the late 1970s and early 1980s it is easy to conclude that the pace of exploration and development activity was clearly excessive But that activity did enable the U S to find as much new oil and natural gas as it produced in those years

It is a different story now After several years of little growth consumption of oil and gas in the U S is now rising at an accelerating rate At the same time production is falling despite some increases in oil prices in recent months

American Petroleum Institute data show that between January 1986 and January 1987 output of oil and gas dropped nearly 700 000 barrels a day in the U S At 8 43 million barrels a day the nation s

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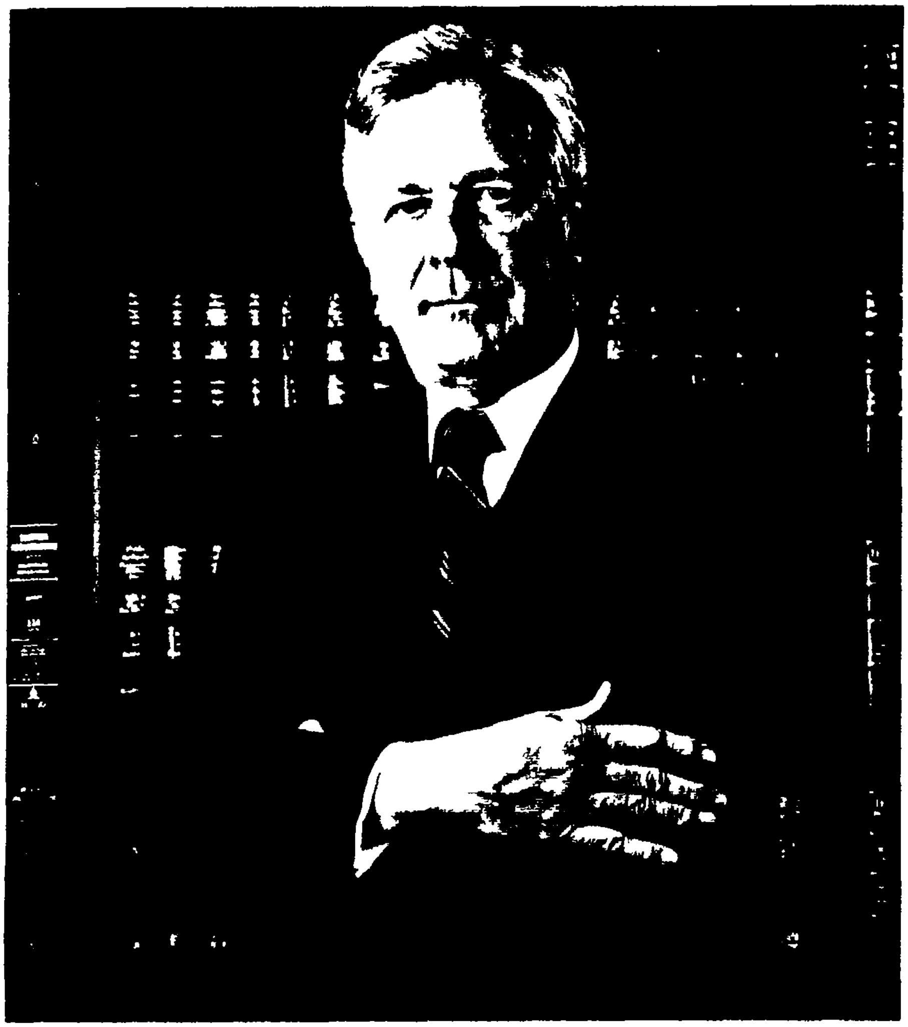

Thomas H Cruikshank president and chief executive officer of Halliburton Company

production rate was the lowest since 1977 when dependence on imports reached an all time high of 48% Current imports are running at about 38% of our total consumption — up from 31% a year ago

The industry's reinvestment in exploration and production in 1986 was the lowest in a decade and domestic drilling activity dropped to the lowest level since World War II

These trends need to be reversed if the U S is to remain politically militarily and financially secure

We are now in a very critical period If OPEC can control the production of its individual members in coming months then much will have been accomplished Prices will stabilize helping to reestablish confidence among producers and investors Exploration activity will pick up both in the U S and abroad However if the OPEC cartel breaks down prices could tumble once more leading to further deterioration in the domestic energy industry

On a global scale the longer term is much more reassuring With consumption rising and production declining the natural functions of supply and demand will eventually lead to higher prices Higher prices translate into increased exploration and production activity

Just how much of an upturn we can expect in the coming year is difficult to say Much depends on OPEC's ability to hold its members in line Barring further serious declines in prices or drilling activity the modest recovery that began in late 1986 should continue

However the usual seasonal slump in the early part of 1987 will mean that it will be the last half of the year before more improvement can be expected

The last five years difficult though they were have not been lost on Halliburton We have made many changes all of them with the intent of strengthening and toughening your Company for the future We have maintained our financial strength we are an outstanding performer in our major marketplaces and we continue to seek new opportunities for future growth All in all we believe your Company is well positioned for the future

Respectfully submitted

Thomas H Cruikshank

Thomas H Cruikshank
President and Chief Executive Officer

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Oil Field Services and Products

In 1986, oil field service units stressed quality and "value" while working harder to lower breakeven points

Worldwide revenues of the oil field services and products group declined 39% in 1986 as domestic revenues trailed 1985 by 44% and international revenues were down 29%

Excluding special write downs of $308 6 million made in the second quarter the operating loss was $46 8 million

When oil producers slash their exploration and production budgets as deeply and suddenly as they did in 1986 says B G Taylor executive vice president oil field services our operations are bound to suffer regardless of how quickly we react to the greatly reduced market

Of the approximately $75 billion in revenues recorded by the U S petroleum industry in 1986 Taylor says only about $12 billion or 16% was reinvested in drilling for oil and gas This was a low percentage and the smallest dollar outlay by the industry since 1977

As a result the level of domestic drilling activity reached its lowest point in over 40 years The average number of drilling rigs working in the U S fell more than 51% in 1986 from 1 969 to 964 The international rig count averaged 1 085 a 27% drop from 1985

Lower drilling rates together with the carryover of excess capacity within the oil field services industry resulted in another year of heavy price discounting particularly in domestic markets

In response to these conditions Halliburton s oil field service units worked even harder to increase the efficiency of their operations and through strict cost controls to lower their breakeven points

Employment was reduced 38% during the year lowering the Company s annual payroll costs about $300 million

In addition a furlough plan was begun in late June Workers were asked to take every eighth week off without pay Although the furlough plan reduces costs less than the layoffs of our competitors who rehire on a when needed basis from labor pools the plan is considered a more equitable method of sharing the current economic burden while maintaining an important core of skilled and loyal workers for the future

Forceful and successful responses by the oil field services group to the rapid deterioration in its market resulted in improved [illegible]

Late in 1986 Halliburton Company combined its IMCO Services Division into a joint venture with Magcobar a divis of Dresser Industries Inc

This combination will result more efficient and economical viable drilling fluids business either could develop alone Th new company M I Drilling Fl has a very strong market pos Like the 1985 acquisitions of

Oil field service personnel worked long hours to offset reductions in the workforce and to keep jobs running smoothly in 1986

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Systems and Trans Compression the combination was designed to strengthen Halliburton's competitive position in oil field services.

The forceful and successful responses taken by the oil field services group to the rapid deterioration in its markets resulted in gradual improvements in operating results during the latter part of the year. Operating income in December was only slightly below breakeven and the group is in excellent position to benefit from the upturn in market demand when it occurs.

Halliburton Services

Halliburton Services had a difficult year emphasizing once again the effects of sharply lower demand and severe price discounting. Worldwide revenues dropped 43%. Adjusted for the write down of assets there was a small operating gain for the year.

Domestic revenues were down 50% and there was an operating loss for the year. The major losses occurred in the second and third quarters with fourth quarter results approaching breakeven.

International revenues and operating income trended lower throughout the year but the drop for the year was not as severe as in domestic operations.

Although many of its competitors abandoned entire geographical

Two fracturing equipment operators from Halliburton Services Wilburton Oklahoma field service location confer during a job being performed in the Arkoma Basin The basin which lies in eastern Oklahoma and western Arkansas was one of Halliburton's most active service areas in 1986

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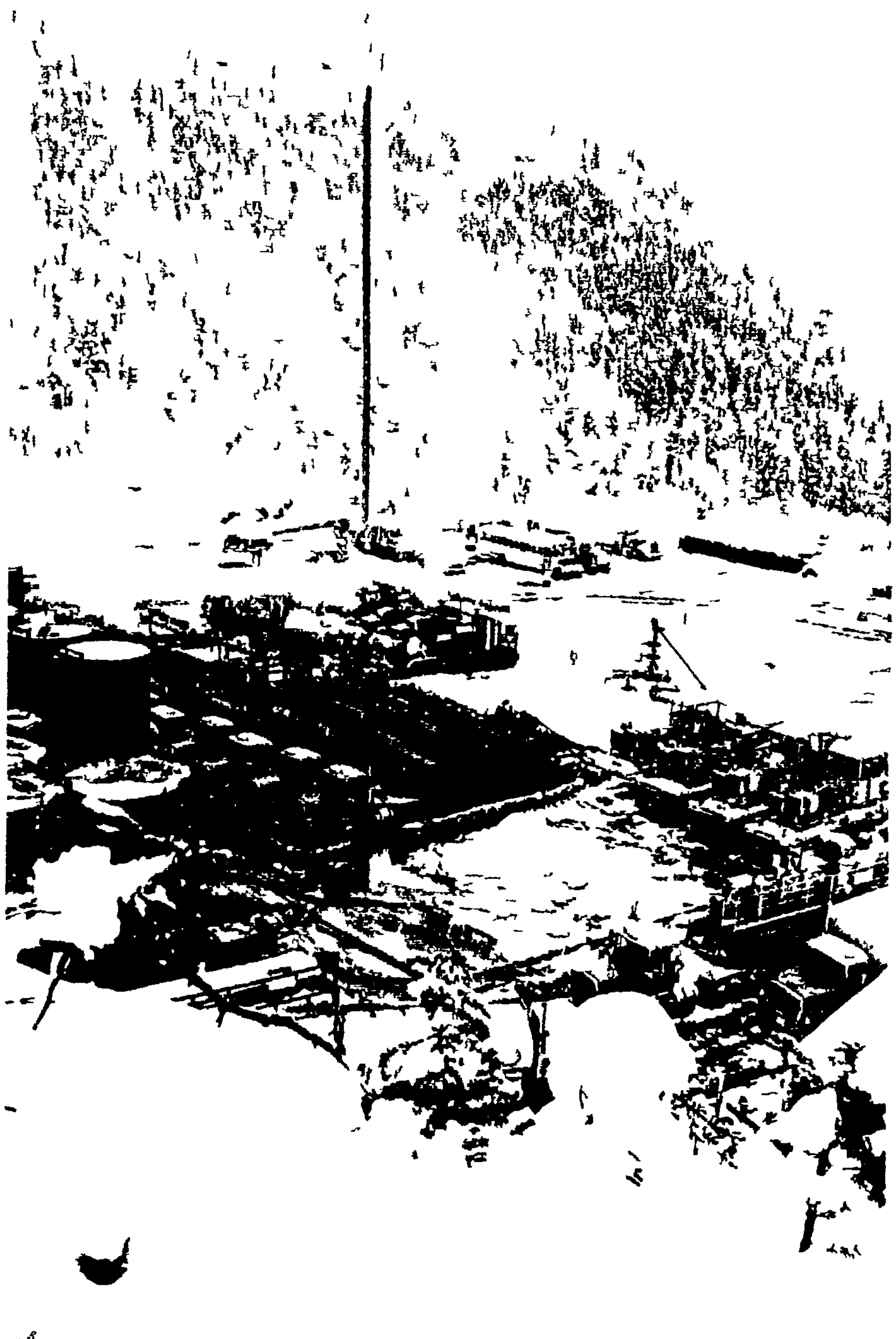
areas of service Halliburton maintained operations in all of its traditional areas

Spike Dunlop the president of Halliburton Services says that while we might have saved money by closing down a larger number of our less profitable locations we view the policy of providing quality service in all major oil and gas areas as a commitment to our customers and an investment in the future

Halliburton Services sustained its leadership in 1986 by continued emphasis on value — the best mix of price and quality for each specific job In oil field pumping services the HT 2000 pump delivers more horsepower per weight than its predecessor and has an unprecedented ability to transport very high concentrations of proppant during fracturing treatments This capability is a critical factor in maximizing the effectiveness of a frac job

Another example of value is the exclusive Gas Migration Control developed by Halliburton This cementing system enabled a major company to redesign its casing programs for four offshore wells in the Gulf of Mexico and save half a



In 1986 Halliburton Services Ltd completed the highest pressure fracturing job ever performed in Canada The high pressures were sustained by Halliburton s HT 3000 intensifiers which were used in Canada for the first time The wellsite was located in the beautiful rugged foothills of the Canadian Rockies

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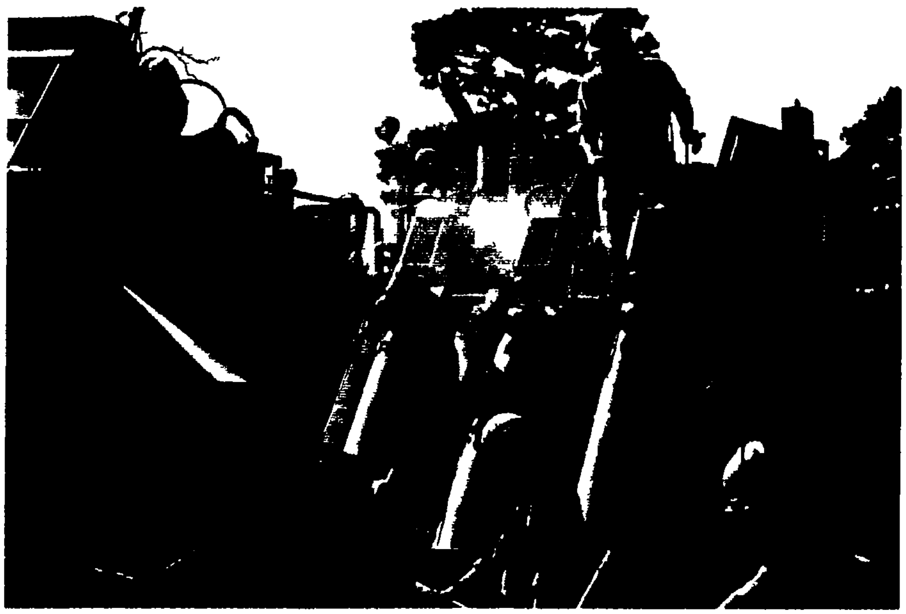
milli n loll ırs on each well

One of the major develop ı ents ın 1 ı n w ı a new co manufact ıring proje ı ın India for that country s Oil an l Natural Gas Commission (ONGC) The project involves the fabri ation of a series of oil well cementing units for ONGC plus the training of field and service personnel in their use

Th industrial cleaning di ision of Halliburton Services cor tinued to p per virtually unaffected by the downturn in drilling acti ity The division performs scale removal and other services in a wide range of applications such as fossil fuel pow t ıtions refineries petro chemical plants and pı lp and paper mills

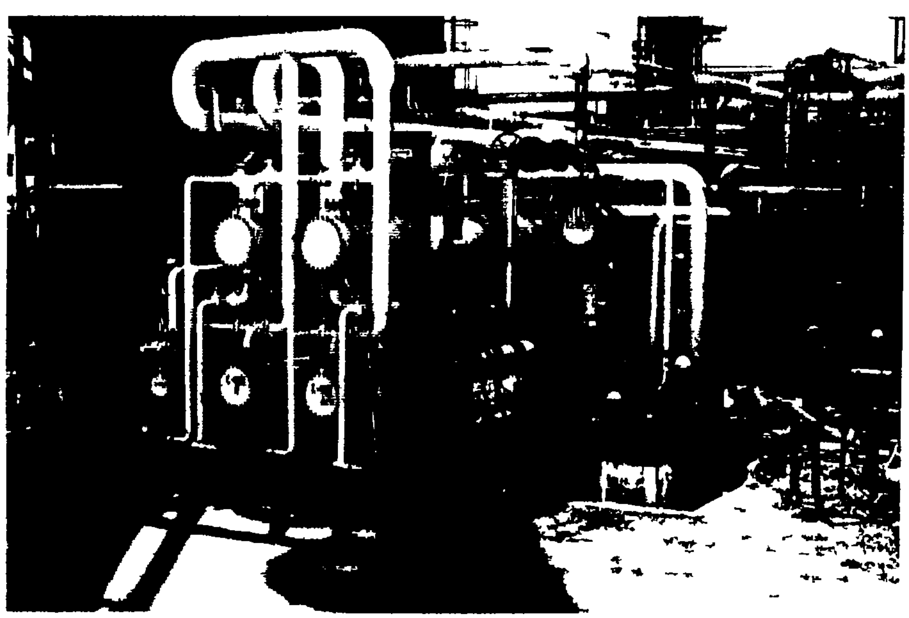
Halliburton Services research in 19 (nerally was characterized by imp d technology made possible by wider use of computers and d efforts to improve by reducing job costs

nt advances in solid state mics plus the continuing d for faster response and k tailed data led to a h project designed to further ıte the typical Halliburton atment This has the of reducing wellsite nel requirements especially large fracturing treatments ıt is not uncommon to have han 50 employees on location ıficant advances in chemistry d the Angard sealant and two oil based fracturing The Angard service is used ı producing well on a ıry basis or to adapt wells nhole disposal uses The w oil based fracturing fluids material personnel and ıg costs while maintaining nulation efficiency



A Halliburton Services equipment operator controls a blender on a stimulation job in Oklahoma The unit mixes sand with water or carbon dioxide into a slurry which is pumped into the subsurface formation to create fissures or fractures

Halliburton Services industrial services division cleans boilers and piping systems for many power plants pulp and paper mills refineries and petrochemical installations Much of the technology used for this work was originally developed for oil field service work



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Otis Engineering

Otis Engineering's revenues dropped 27% and operating income before special write downs declined 73%

Cost cutting moves included major reductions in personnel capital equipment and facilities Also during 1986 Otis eliminated some product lines that did not fit or had limited potential In addition product standardization programs were continued as an integral part of efforts to reduce manufacturing costs

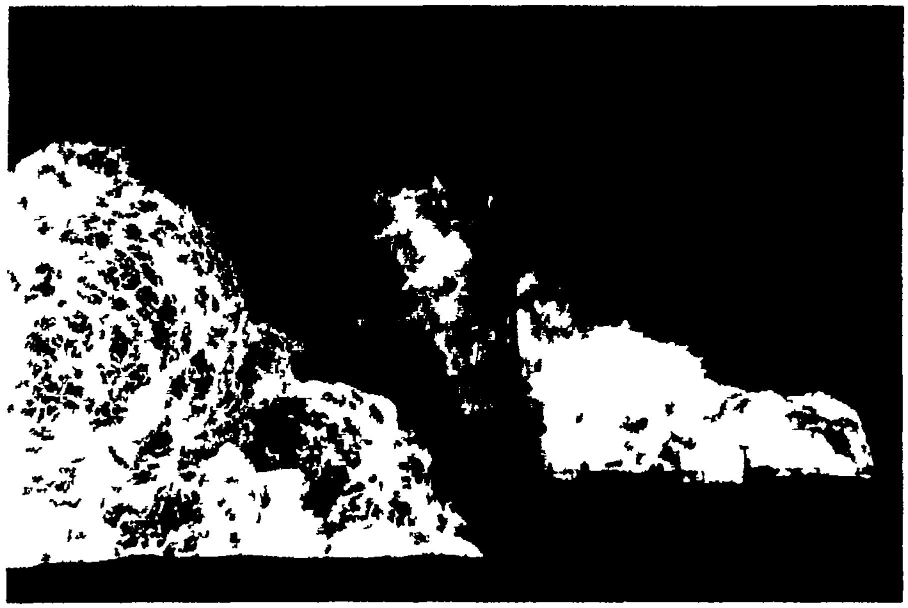
Manufacturing activities in Grand Saline and Graham Texas were discontinued and moved to Carrollton for better utilization of plant and personnel

Several new and redesigned tools were developed during the year including a jet cleaning tool used in conjunction with related tubing services in well maintenance applications Marketplace acceptance of this tool has been excellent

Joint efforts among all Halliburton units are continuously undertaken to develop new products and services In one such effort Otis worked with Vann Systems in 1986 to design a total package for gravel pack services Otis also helped to develop a new downhole data measuring device used in well testing and reservoir analysis by TRA a company operated jointly by Otis Engineering Halliburton Services Welex and Vann Systems

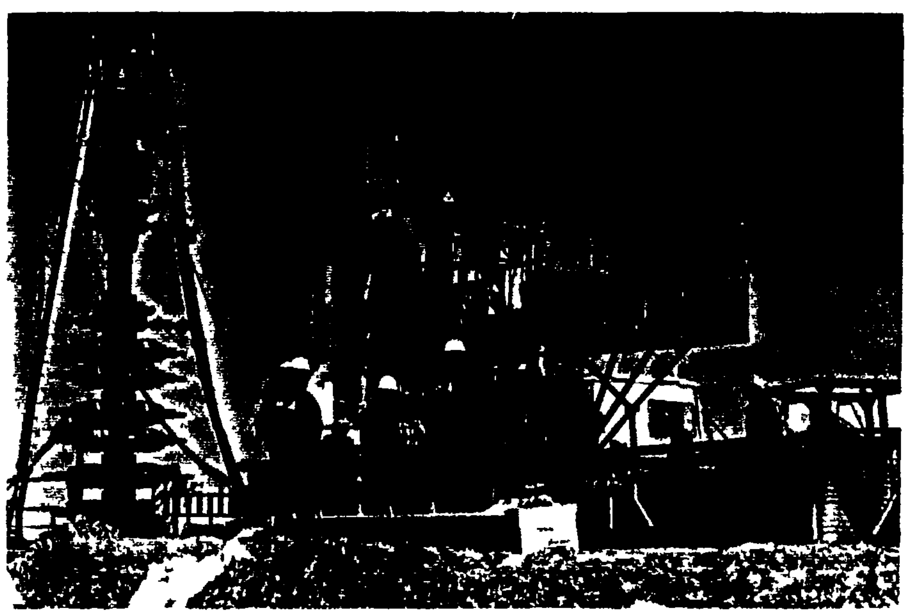
Welex

Welex revenues were lower in 1986 due to reduced drilling activities and heavy price discounting Although the operating loss for the year was



A gigantic oil fire that had burned out of control in a field in the Soviet Union was snubbed out by a blowout recovery team from Otis Engineering The team is an elite task force composed of Otis people normally stationed in various parts of the world who specialize in hydraulic workover and well blowout operations

Mobilizing its equipment quickly Otis personnel from the U S and Germany prepare to pump heavy mud down the hole to kill the well When the well blew it spewed a column of flame into the air that could be seen 90 miles away



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greater than in 85 there were some improvements in the last half of the year

The success of its Precision Logging System (PLS) introduced in 1985 enabled Welex to continue to gain market share Customers who have become familiar with the system s advanced technology accurate measurements and high reliability generally acknowledge PLS as a superior logging system

As a result Welex began to penetrate the open hole offshore market in the Gulf of Mexico in the fourth quarter This market segment is targeted for further growth as additional PLS skids are placed in service

In another move to increase market penetration Welex introduced its PLS open hole logging services to international markets in several areas

Recognizing that future markets will place increasing emphasis on advanced technology Welex is heavily committed to research and development More powerful wellsite computing systems are being tested as are new and improved downhole tools and ultra high rate data transmission systems

Vann Systems

The company provides tubing conveyed systems for completing and perforating oil and gas wells and sand control services In 1986 domestic revenues were lower with heavy discounting a major factor International revenues remained strong until September but weakened in the final quarter of the year

Vann reduced its workforce 19% during the year and programs were put in place to reduce operating costs

Halliburton Resource Management (HRM)

HRM revenues were off 9% and operating income was down 48%

HRM expects the reduction of capital expenditures by the oil and gas industry along with new government regulations and tax considerations to make renting production and compression equipment more attractive to producers in 1987 Such rentals comprised over 90% of HRM s revenues in 1986

Welex continues to gain customer acceptance of its Precision Logging System (PLS) which gathers many types of drilling and well completion information PLS is now considered one of the industry s superior logging systems

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Engineering/Construction Services

Brown & Root restructures business units, continues to develop new markets

Revenues of the engineering/construction group were off 8 and before special write downs of \$194 3 million the operating loss was \$45 0 million The write downs were all attributable to the marine business of Brown & Root

[illegible]

In response to continuing contractions in its traditional markets Brown & Root further reduced capacity and continued to restructure These actions will allow Brown & Root to achieve greater operational effectiveness and develop lines of business where it can profitably compete

In early 1986 Brown & Root reorganized into 10 business units The new organization reduces the company s overhead shortens reporting lines improves internal communications and makes Brown & Root more responsive to client needs

T Louis Austin Jr president and chief executive officer of Brown & Root says that some competitors are spending vast sums of money to maintain market share at any cost in a market that they think will return to the size of the 70s and early 80s We question some of these expectations Therefore we have down sized and will continue to do so in those markets where our profit objectives cannot be achieved At the same time we are developing new markets that draw upon our competitive strengths

Industrial Engineering/Construction Services

Revenues from industrial engineering/construction services were 2% above those of 1985 but an operating loss of \$10 2 million was sustained in 1986 versus a profit of \$26 7 million in 1985

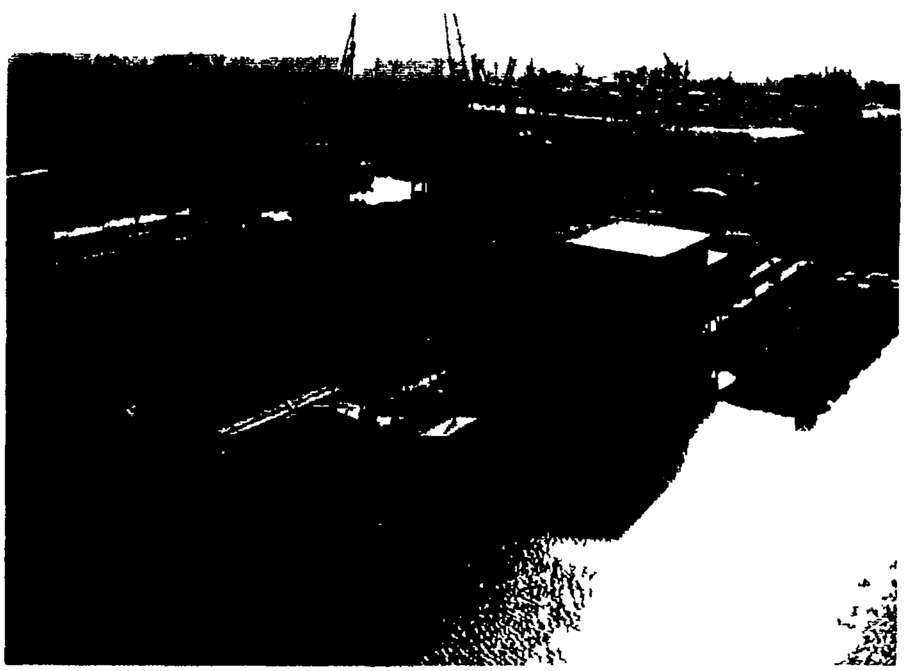
This group s results were hampered by restructuring costs by the smaller number of large projects available and by the meager margins on profitable jobs performed

Major domestic projects of Brown & Root included installation of a paper making machine for Georgia Pacific work on a mill to make quality papers for Champion International and refinery modernization programs for Exxon U S A and Amoco Corporation

[illegible]

The year s crowning achievement in the international area was the completion on time and under budget of a \$475 million joint venture construction project begun in 1981 for the U S Navy and Air

At New Iberia Louisiana the petroleum and chemical division constructed the first phase of modules for the Endicott Project a Standard Oil Production Company oil and gas production complex off the coast of Alaska



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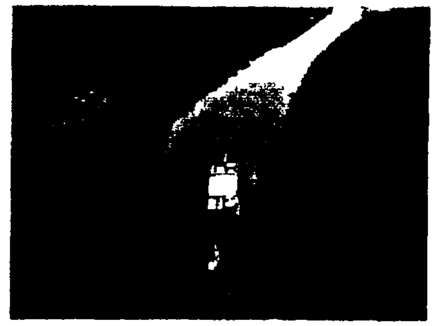
Force on the island of Diego Garcia in the Indian Ocean

Significant international contract awards received during the year were for completion of a major pipeline project in Saudi Arabia construction of the new U S Embassy in Oman and laying of flowlines in Oman These awards give the international land unit a larger backlog for 1987 than it had going into 1986

One of Brown & Root s major customers the U S utility industry is undergoing significant changes resulting in very little demand for new generating stations Therefore the company is pursuing cogeneration and waste to energy projects as alternatives to utility



Only 10 days after leaving New Iberia under tow the Endicott modules wind their way through the Panama Canal

Carrying some 2 200 tons of equipment the barge enters the famous Gatun Locks on the Panama Canal The modules comprise a life support system which will provide power, water and waste treatment for Endicott personnel Brown & Root will complete the second and larger phase of the module project in 1987

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capacity additions

Also a joint venture in which Brown & Root participates has developed a complete electric power plant based on fluidized bed boiler technology This coal fired plant is cheaper and faster to build has environmental advantages and is less expensive to operate than traditional plants

Industrial services a new unit organized from three existing groups is responding to increased demand for quality maintenance services within a wide variety of industrial facilities The unit is diversifying into non traditional markets to reduce its sensitivity to economic downturns

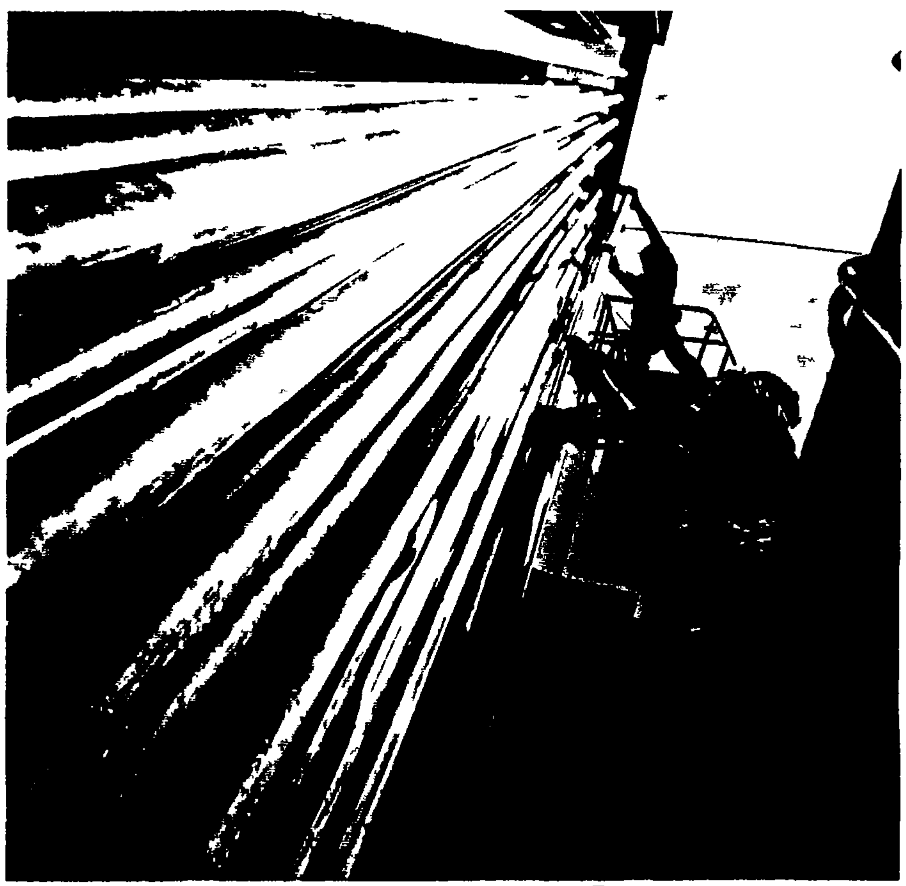
In another move to expand its scope of operations Brown & Root is entering the government military base operating and maintenance business In early 1987 Devonport Management Limited a joint venture in which Brown & Root (U K) Ltd has a 29 9% interest received a seven year contract in the U K to act as commercial manager for the Royal Dockyard at Devonport

NUS Corporation continues to derive almost half of its revenues from its energy services group which includes services to nuclear and fossil electric power utilities However some of its brightest prospects for future growth are focused on the activities of its waste management services group This group directs the company s hazardous waste management services as a contractor to the U S government under the much publicized Superfund program

Training related products and services continued to gain in importance Increasing emphasis is being placed by industry on

One of Brown & Root s new businesses is development of energy cogeneration projects Below Brownbuilders complete a waste to energy plant north of Salt Lake City which will provide steam for the heating and cooling system at nearby Hill Air Force Base

A technician runs tests at NUS Corporation s Pittsburgh laboratory facilities Hazardous waste laboratory services are a growing part of NUS work for clients in government and industry



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employee training thus growth prospects appear excellent

Marine Engineering/ Construction Services

Marine engineering/construction revenues were 2 below 1985 and excluding special write downs in both years there was an operating loss of $34 8 million versus a loss of $15 1 million in 1985

The loss for the year was predominantly related to operations in the North Sea Because of the decline in the price of oil activities in this area were substantially reduced In addition North Sea operations were hampered by severe weather

Brown & Root installed over 250 miles of pipelines in U S waters a 77% increase over 1985 and the highest total installed by the company since 1979 In the U S Gulf of Mexico Brown & Root accounted for over half of the pipelaying market

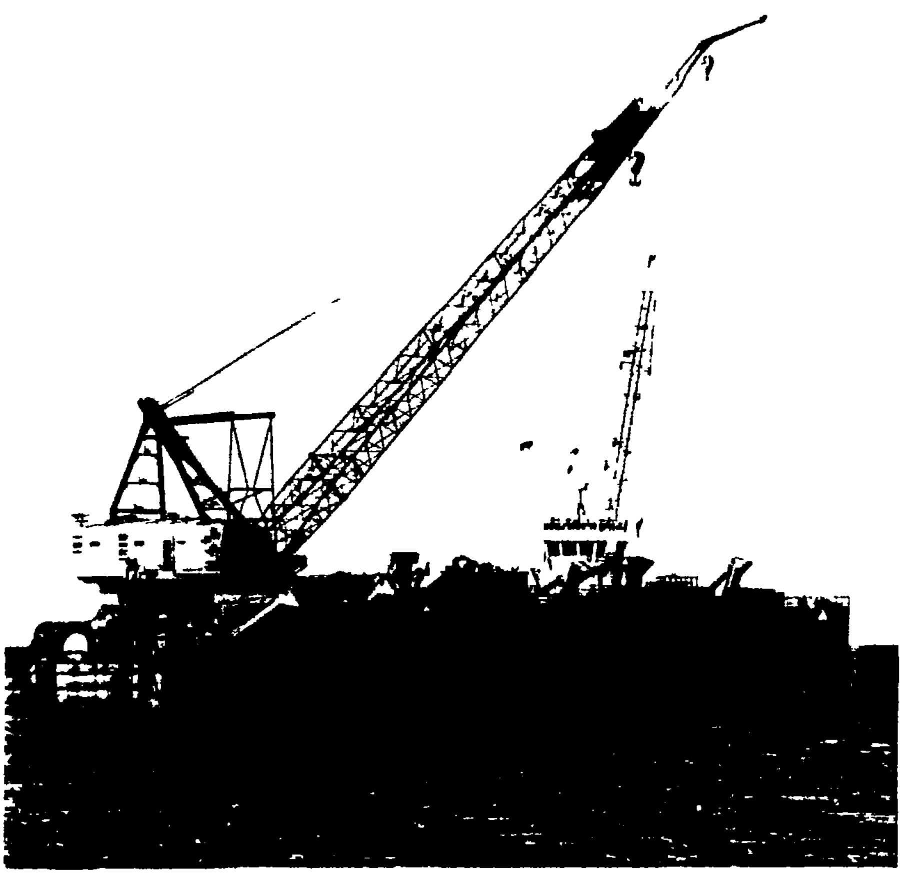
In developing a strategy for offshore operations much emphasis was placed on determining markets having the potential for long term profitability and return on investment

One of those businesses that the company decided to eliminate was its heavy lift derrick barge operations a business that requires increasingly large amounts of invested capital Other decisions were to mothball several fabrication yards and to put more emphasis on engineering and pipelaying

In the U K the company is diversifying from its strong base in marine engineering and construction At year end Brown & Root merged its project engineering management division with the design and projects division of Vickers PLC a major U K corporation The new company Brown & Root Vickers Ltd combines strong engineering and project management capabilities of Brown & Root with Vickers technological strengths

Brown & Root has taken steps to reduce its investment in the capital intensive segments of its offshore business At the end of 1986 the investment in marine operations was only $313 6 million down 43% from 1985 and down 65% from 1984 These reductions were accomplished through special write downs the sale of excess assets and other restructuring moves As a result of these actions Brown & Root s breakeven levels for the marine segment have been significantly reduced which in turn will speed its return to profitability

Brown & Root installed over 250 miles of pipelines in U S waters in 1986 a 77% increase over 1985 and the highest total installed by the company since 1979 In the Gulf of Mexico Brown & Root accounted for over half the pipelaying market



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New products and higher investment income lead to good year for Insurance Services

Combined premiums for the Insurance Services group increased 29% Net income rose 12% to $40 4 million on the strength of increased investment income

Highlands Insurance

Highlands provides workers compensation general liability auto property marine and surety bond coverage Highlands also offers brokerage and claim adjustment services safety inspections and counseling for self insured customers

[illegible]

Highlands premiums were 28% above those in 1985 and net income increased 22% Contributing to the higher profit were gains from the sale of securities

Results also benefited from a strengthening industry rate structure For the first time in several years casualty insurers began to price their products on a basis that more accurately reflects their ultimate loss experience

Highlands deliberately curtailed its growth during the industry s period of unrealistically low rates but now finds the current market one in which it can expand while maintaining a conservative underwriting approach

In order to diversify beyond its traditional markets Highlands began to provide insurance for many small to medium sized commercial customers across a broad cross section of American industry

Highlands objective is to compete in markets where it can offer products and services that are competitive with those of larger insurers

Life Insurance Company of the Southwest

Life Insurance Company of the Southwest s premiums increased 32% but net income decreased 17% The decline in earnings was primarily due to losses arising from the bankruptcy of a company that serviced mortgages for Life of the Southwest and to higher losses in certain lines of medical insurance

The company continued to adjust to major changes taking place in the life insurance industry Older traditional insurance products such as ordinary or whole life are being deemphasized or dropped in favor of annuities and single premium life plans These interest sensitive products emphasize return on investment rather than traditional death benefits

Profit margins on these new products are considerably lower than on traditional life insurance products This is due mainly to the fact that yields to policyholders must remain competitive with other types of investments Life of the Southwest supports its new interest sensitive products by investing in a portfolio of investment grade bonds and higher yielding commercial adjustable rate mortgages

This conservative investment strategy is attractive to policy holders who are concerned with the quality of investments behind insurance products and it has enabled Life of the Southwest to be competitive in this market

Health Economics Corporation

Demand is growing for the health care cost containment services provided by Health Economics Corporation

These services include demand forecasts utilization review claims management and customized preferred provider organization development and management

In late 1986 Health Economics was awarded a three year contract by the City of Houston to develop and operate a preferred provider organization for 18 000 city employees

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Financial Review

Selected Financial Data

	1986	1985	1984	1983	1982
	(In millions except per share data)				
Income (loss) per share before extraordinary items	$ (4 85)	$ 27	$ 2 87	$ 2 66	$ 4 34
Net income (loss) per share	(4 85)	(3 12)	2 87	2 33	4 21
Cash dividends paid per share	1 20	1 80	1 80	1 65	1 60
Net revenues	3 509 4	1 778 7	5 445 7	5 522 2	7 257 3
Income (loss) before extraordinary items	(515 2)	28 7*	329 6	314 8	511 6
Net income (loss)	(515 2)	(339 3)	329 6	275 8	496 8
Total assets	3 328 0	4 662 0	5 352 3	5 833 8	5 581 5
Long term debt less current maturities	241 1	447 7	480 2	730 2	745 3

Includes special write downs of $488 733 000 and $195 008 000 in 1986 and 1985 respectively (see Note 5 to financial statements on page 23)

Management's Discussion and Analysis of Results of Operations and Financial Condition

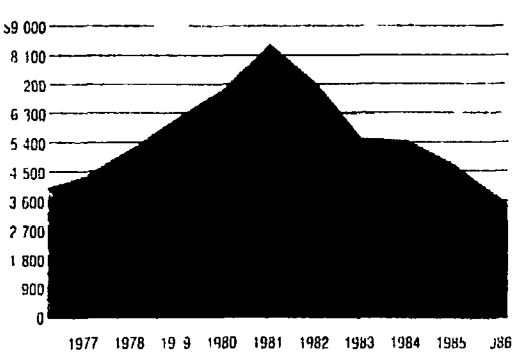
RESULTS OF OPERATIONS

1986 Compared to 1985

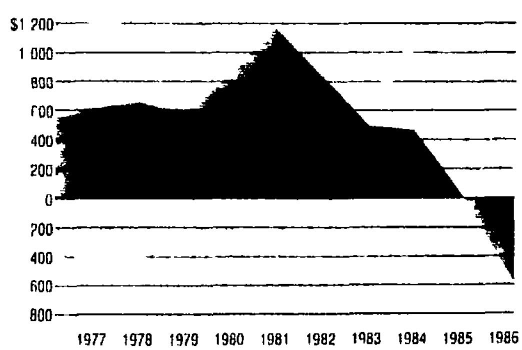
Special charges severely impacted financial results for both 1986 and 1985 (see Notes 5 and 6 to the financial statements on page 23) In the second quarter of 1986 write downs of $488 7 million (net of taxes) were made to recognize the loss in economic value of operating assets and related investments In 1985 there were special charges of $563 0 million (net of taxes) made to reflect write downs of $195 0 million in marine assets and $368 0 million for settlement of the South Texas Nuclear Project (STNP) litigation

The net loss for 1986 was $515 2 million $4 85 per share Excluding the special charges the net loss was $26 5 million or 25 cents per share Income for 1985 without the

Revenues (millions)



Operating Income (millions)



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special charges was $223 7 million or $2 06 per share

Net revenues for 1986 were $3 5 billion a decline of 27% from the previous year The lower revenues were due to reduced demand and intense price competition in most of the Company s markets

The operating loss for 1986 was $594 7 million versus income of $89 1 million for 1985 Excluding special write downs from both years the 1986 operating loss would have been $91 8 million compared with operating income of $346 9 million in 1985

Net interest expense was $10 6 million compared with net interest income of $8 9 million in 1985 This $19 5 million variance reflects lower investable cash balances as a result of the cash payment in settlement of the STNP litigation at year end 1985 as well as lower effective interest rates during 1986 Other nonoperating income declined $7 9 million because 1985 included gains from sales of securities and real estate

Revenues from oil field services and products declined 39% in 1986 to $1 8 billion The operating loss was $355 4 million with special write downs responsible for most of the loss Excluding these write downs the operating loss was $46 8 million as compared to operating income of $335 3 million in the prior year

Industrial engineering/construction revenues increased 2% to $1 3 billion There was an operating loss of $10 2 million compared with income of $26 7 million in 1985 This group s results were hampered by restructuring costs by the smaller number of large projects available and by the meager margins on profitable jobs

Revenues from marine engineering/construction were down 32% to $368 9 million The operating loss for 1986 including special write downs was $229 1 million Excluding special write downs in both years the operating loss for the year was $31 8 million compared with a loss of $15 1 million in 1985 Most of the 1986 loss was sustained in North Sea operations

Financial results for insurance services improved significantly in 1986 aided by gains on the sale of securities Net income from these activities was up 17% on a 29% increase in premiums

1985 Compared to 1984

Two charges severely impacted financial results for 1985 (see Notes 5 and 6 to the financial statements on page 23) The charges (after tax benefits) were $195 0 million for a write down of marine construction equipment and related investments and $368 0 million or $3 39 per share for the settlement of the South Texas Nuclear Project (STNP) litigation These two charges totaling $563 0 million caused the Company to have a net loss for the year of $339 3 million or $3 12 per share

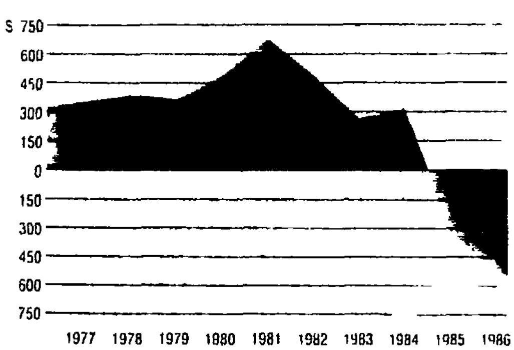
Without these charges net income for 1985 would have totaled $223 7 million $2 06 per share as compared with $329 6 million or $2 87 per share for 1984 Excluding the $257 8 million (before tax benefits) charge against marine operations operating income was down 30% to $346 9 million Consolidated revenues were $4 8 billion a decline of 12% These lower results reflected the decline in the Company s energy related markets in the United States and accompanying pricing pressures

Interest income was $8 9 million higher than interest expense an improvement of $13 3 million from last year when interest expense exceeded interest income Other nonoperating income was $20 3 million lower primarily because a gain of $20 8 million was realized in 1984 from the early extinguishment of long term debt

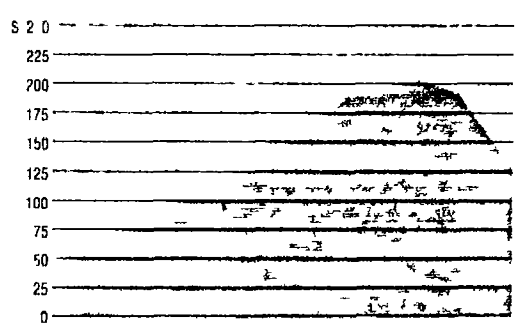
Revenues from oil field services and products declined 8% to $2 9 billion Operating income of $335 3 million from these activities was 30% lower In 1985 the average number of active drilling rigs in the United States was down 19% and there was intense competition for the reduced work Because of this results from domestic operations trailed comparable 1984 periods throughout the year International results for 1985 slightly exceeded those of 1984 and for the first time operating income from international oil field activities was higher than comparable income from domestic operations Foreign exchange losses were $19 9 million in 1985 versus a small gain in the previous year

Industrial engineering/construction revenues declined 17% to $1 3 billion Operating income was $26 7 million

Net Income (millions)



Cash Dividends Paid (millions)



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compared to $8.3 million in 1984. Contributing to the improvement was a reduction in STNP litigation expenses and the absence of miscellaneous charges made in the 1984 fourth quarter.

Revenues from marine engineering/construction services declined 22% to $542.3 million. Excluding the marine charge reported above, there was an operating loss of $15.1 million for the year versus operating income of $11.0 million in 1984.

Combined net income from insurance services declined 13% to $36.2 million, as increased underwriting losses more than offset the moderate gain in investment income.

EFFECTS OF INFLATION

With the lessening of the annual inflation rate in the last several years, the Company believes that the impact of inflation on revenues, costs and expenses has been modest.

TAX REFORM ACT OF 1986

The provisions of the Tax Reform Act of 1986 will not significantly affect the Company's financial position, liquidity or results of operations in 1987 and in future years. The lower corporate tax rates will generally be offset by the elimination of investment tax credits and the possible loss of foreign tax credits.

A proposed Statement issued by the Financial Accounting Standards Board on Accounting for Income Taxes would require that deferred tax liabilities be reduced to reflect lower tax rates and that the reduction be restored to earnings for financial reporting in the year of implementation. The effect of the proposed Statement will not be material to the Company's financial position.

LIQUIDITY AND CAPITAL RESOURCES

Cash and marketable securities totaled $513.4 million at the end of 1986, as compared to $622.7 million and $1.0 billion at year end 1985 and 1984, respectively. Most of the reduction in cash balances was due to prepayments of long term debt and the purchase of treasury shares. Working capital totaled $937.7 million as of December 31, 1986, as compared to $1.3 billion and $1.6 billion at the end of 1985 and 1984, respectively. The current ratio was 2.3, 2.1 and 2.3 at the end of 1986, 1985 and 1984, respectively.

Long term debt was $245.2 million (including current maturities of $4.1 million) at year end, representing 10% of the Company's total capitalization versus 14% at the end of 1985 and 15% at the end of 1984. Early redemptions of long term debt totaled $202.5 million in 1986 and $111.8 million in 1984. Short term debt was $31.1 million at the end of 1986, as compared to $139.2 million and $50.9 million at the end of 1985 and 1984, respectively.

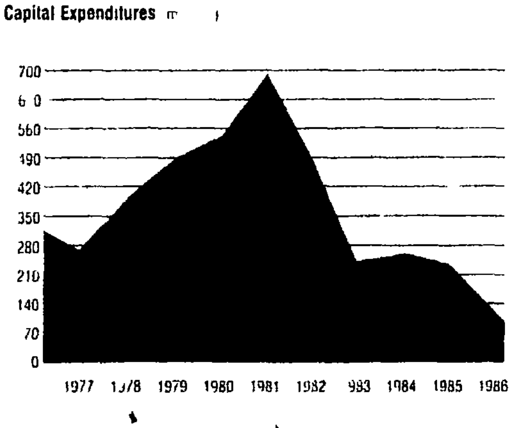
During the last several years the Company has had arrangements for short term lines of credit. As of February 28, 1987, these credit lines totaled $420.0 million and no borrowings were outstanding.

Shareholders' equity decreased to $2.2 billion at the end of 1986 from $2.9 billion at the end of 1985 and $3.4 billion at the end of 1984. Contributing to the decline were the special write downs of $488.7 million in 1986 and $195.0 million in 1985, the settlement of the South Texas Nuclear Project litigation in 1985 for $363.0 million, and the repurchase of common stock on the open market for $70.9 million in 1986 and $319.2 million in 1984. To conserve cash, the annual dividend rate was reduced in the 1986 second quarter from $1.80 to $1.00 a share. Book value per share was $20.30, $26.30 and $31.19 at year end 1986, 1985 and 1984, respectively.

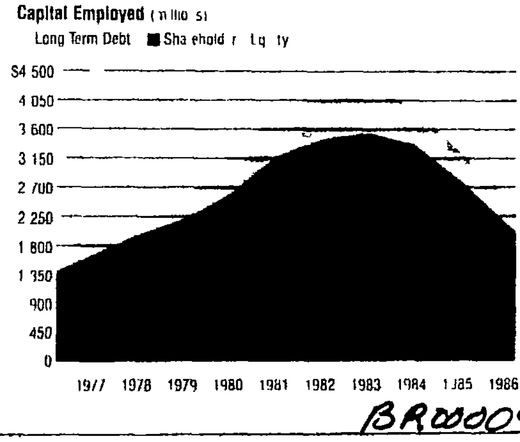
Expenditures for property, plant and equipment totaled $97.5 million in 1986, $239.1 million in 1985 and $262.4 million in 1984. Depreciation plus net book value of retired assets was $300.4 million, compared to $384.0 million in 1985 and $396.2 million in 1984. Funds required to complete capital assets in progress at year end 1986 plus the initial 1987 approved capital budget totaled $118.7 million.

The Company continues to depend principally on internally generated funds as its major source of liquidity. Cash flow from operations in 1986 was $300.9 million, as compared to $617.5 million in 1985 and $712.3 million in 1984.

Capital Expenditures (in millions)



Capital Employed (in millions)



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Responsibility for Financial Reporting

Halliburton Company has prepared the accompanying consolidated financial statements in conformity with generally accepted accounting principles consistently applied during the periods The Company is responsible for the presentation and fairness of financial information contained therein In preparing the financial statements it is necessary to make informed estimates and judgments based on available information

The Company maintains a system of internal accounting controls which includes organizational arrangements that provide an appropriate division of responsibility The system is designed to provide reasonable assurance that transactions of the Company are executed in accordance with management s general or specific authorizations that the books and records fairly reflect in reasonable detail the transactions of the Company and that the Company s assets are safeguarded The system is reviewed regularly to ensure its effectiveness and is supported by written policies and procedures an internal audit monitoring program and the careful selection and training of personnel

The consolidated financial statements have been examined by Arthur Andersen & Co independent public accountants The purpose of their examination is to render an objective independent opinion on the Company s financial statements

The Audit Committee of the board of directors is composed solely of directors who are not officers or employees of the Company This Committee reviews among other matters the financial statements of the Company the results of audit examinations the Company s financial policies and internal and external audit plans Meetings are held with the Company s independent public accountants representatives of management and the internal auditors to review the activities of each Both the independent public accountants and the internal auditors have full and free access to meet with the Audit Committee without management representatives present to discuss matters relating to the adequacy of internal accounting controls and the results of their audit examinations The Committee also reviews nonaudit services of the Company s independent public accountants to ensure that such services do not impair their independence

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Financial Statements

Consolidated Income

	1986	1985	1984
	(In thousands except per share data)		
Net Revenues			
Services	$2 750 155	$3 465 192	$3 997 748
Sales	776 822	1 316 198	1 429 945
Equity in income (losses) of joint venture operations	(17 538)	(2 695)	18 026
Total net revenues	3 509 439	4 778 695	5 445 719
Operating Costs and Expenses			
Services	2 736 989	3 161 931	3 652 561
Sales	677 500	1 063 346	1 067 660
Special write downs (Note 5)	502 915	257 830	—
General and administrative	186 727	206 515	227 608
Total operating costs and expenses	4 104 131	4 689 622	4 947 829
Operating income (loss)	(594 692)	89 073	497 890
Interest expense	(77 103)	(105 876)	(138 047)
Interest income	66 551	114 731	133 652
Other nonoperating income net	8 877	16 805	37 066
Benefit (provision) for income taxes (Notes 5 and 11)	37 442	(113 834)	(240 004)
Net income of unconsolidated insurance subsidiaries (Note 13)	40 398	36 152	41 585
Minority interest in net (income) loss of consolidated subsidiaries	3 313	(8 315)	(2 547)
Income (Loss) Before Extraordinary Item	(515 214)	28 736	329 595
Extraordinary item net of income taxes (Note 6)	—	(368 012)	—
Net Income (Loss)	$ (515 214)	$ (339 276)	$ 329 595
Income (Loss) Per Share Before Extraordinary Item	$ (4 85)	$ 27	$ 2 87
Net Income (Loss) Per Share	(4 85)	(3 12)	2 87
Average Common Shares Outstanding	106 121	108 647	114 855

Consolidated Retained Earnings

	1986	1985	1984
	(In thousands)		
Balance beginning of year	$2 764 705	$3 299 542	$3 176 428
Add Net income (loss)	(515 214)	(339 276)	329 595
	2 249 491	2 960 266	3 506 023
Deduct Cash dividends paid ($1 20 $1 80 and $1 80 a share respectively)	127 434	195 561	206 481
Balance end of year	$2 122 057	$2 764 705	$3 299 542

See statement of accounting policies and notes to financial statements

Consolidated Balance Sheet December 31

	1986	1985
	(In thousands)	
Assets		
Current Assets		
Cash	$ 444 967	$ 516 309
Marketable securities	68 427	106 423
Notes and accounts receivable (Note 1)	735 950	1 009 725
Unbilled work on uncompleted contracts (Note 1)	61 475	63 281
Refundable Federal income taxes (Note 11)	104 565	234 004
Inventories (Notes 3 and 5)	265 118	473 540
Total current assets	1 680 502	2 403 282
Advances to and Receivables from Joint Ventures	185 892	144 366
Equity in and Advances to Related Companies (Notes 2 and 13)		
Insurance subsidiaries	295 280	278 314
Other companies	61 181	146 103
Total equity in and advances to related companies	356 461	424 417
Property Plant and Equipment at cost (Notes 4 and 5)	3 307 635	3 882 303
Less accumulated depreciation	2 281 873	2 310 523
Net property plant and equipment	1 025 762	1 571 780
Other Assets	79 411	118 118
	$3 328 028	$4 661 963
Liabilities and Shareholders Equity		
Current Liabilities		
Accounts payable	$ 192 139	$ 264 571
Advance billings on uncompleted contracts	108 385	83 915
Short term notes payable and current maturities of long term debt (Note 7)	35 298	168 974
Contributions payable to employees benefit funds (Note 18)	1 925	39 118
Federal state and foreign income taxes (Note 11)	75 554	152 873
Other current liabilities	329 515	435 343
Total current liabilities	742 816	1 144 794
Deferred Income Taxes (Notes 11 and 13)	182 654	197 460
Long term Debt less current maturities (Note 7)	241 075	447 652
Minority Interest in Consolidated Subsidiaries	11 311	14 203
Commitments and Contingencies (Note 17)		
Shareholders Equity		
Preferred stock no par value — authorized 5 000 000 shares none issued		
Series A junior participating preferred stock no par value -- authorized 2 000 000 shares none issued (Note 10)		
Common stock par value $2 50 per share authorized 200 000 000 shares issued 119 051 700 and 118 868 701 shares respectively (Note 9)	297 629	297 172
Paid in capital in excess of par value	127 329	121 447
Retained earnings	2 122 057	2 764 705
	2 547 015	3 183 324
Less treasury stock — 13 141 420 and 10 219 198 shares respectively at cost	396 843	325 470
Total shareholders equity	2 150 172	2 857 854
	$3 328 028	$4 661 963

See statement of accounting policies and notes to financial statements

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Consolidated Changes in Financial Position

	1986	1985	1984
		(In thousands)	
Funds Provided by Operations			
Income (loss) before extraordinary items	$(515 214)	$ 28 736	$ 329 595
Depreciation	280 734	342 768	368 605
Special write downs (Note 5)	488 733	195 008	—
Deferred income taxes (Notes 11 and 13)	24 501	19 527	(13 905)
Equity in (earnings) losses of joint ventures and related companies less distributions	(1 992)	(26 653)	(11 615)
Other non cash items	24 140	58 141	39 667
Total funds provided by operations	300 902	617 527	712 347
Funds Used for Operations			
Acquisitions of property plant and equipment	97 477	239 062	262 448
Net property plant and equipment of businesses acquired	—	43 590	8 553
Advances to (from) joint ventures and related companies	(30 976)	(29 264)	(26 049)
Changes in			
Receivables and unbilled work	(275 581)	(214 857)	(81 089)
Inventories	(100 856)	(23 003)	(34 321)
Accounts payable and accrued liabilities	343 787	126 836	56 000
Other net	26 574	49 929	(26 236)
Total funds used for operations	60 425	192 293	159 306
Funds Used for (Provided by) Extraordinary Items			
Extraordinary loss	—	368 012	—
Changes in accounts payable and accrued liabilities	10 126	5 228	17 067
Refundable Federal income taxes (Note 11)	(198 900)	234 004	—
Other net	—	812	—
Total funds used for (provided by) extraordinary items	(188 774)	608 056	17 067
Funds Used for Cash Dividends to Shareholders	127 434	195 561	206 481
Funds Provided by (Used for) Financing Transactions			
Changes in long term debt including current maturities			
Additions	99	243	1 818
Reductions	(232 308)	(133 785)	(129 804)
Additions (reductions) in short term debt net	(108 044)	88 345	(76 296)
Purchase of common stock net	(70 902)	(317)	(319 155)
Total funds provided by (used for) financing transactions	(411 155)	(45 514)	(523 437)
(Decrease) in Cash and Marketable Securities	$(109 338)	$(423 897)	$(193 944)

See statement of accounting policies and notes to financial statements

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Changes in Capital Stock and Paid-in Capital

	Common Stock Shares	Common Stock Amount	Paid in Capital in Excess of Par Value	Treasury Stock Shares	Treasury Stock Amount
		(Dollars in thousands)			
Balance December 31 1983	118 530 274	$296 [illegible]	$103 853	182 766	$ 5 080
Shares issued under restricted stock plan (Note 9)	158 315	[illegible]	8 751	—	—
Purchase of common stock	—	—	—	10 010 100	319 596
Balance December 31 1984	118 688 589	296 [illegible]	112 604	10 192 866	324 676
Shares issued under restricted stock plan (Note 9)	180 112	4[illegible]	8 843	—	—
Purchase of common stock	—		—	26 332	794
Balance December 31 1985	118 868 701	297 172	121 447	10 219 198	325 470
Shares issued under restricted stock plan (Note 9)	182 999	457	5 882	—	—
Purchase of common stock (Note 9)	—	—	—	2 922 222	71 373
Balance December 31 1986	119 051 700	$297 629	$127 329	13 141 420	$396 843

See statement of accounting policies and notes to financial statements

Statement of Accounting Policies

Principles of Consolidation The consolidated financial statements include the accounts of the Company and all subsidiaries except insurance subsidiaries All significant intercompany accounts and transactions are eliminated Insurance subsidiaries and 20 50% owned companies are reported on the equity basis

Marketable Securities Equity securities are valued at cost which approximates market value Non equity securities consisting primarily of U S government obligations corporate short term notes and tax exempt securities are valued at cost plus accrued interest which approximates market value

Inventory Valuation Inventories are stated at cost which is not in excess of market Cost represents invoice or production cost for new items and original cost less allowance for condition for used material returned to stock Production cost includes material labor and manufacturing overhead Substantially all sales items (including related work in process and raw materials) except those owned by the Company s foreign subsidiaries are valued on a last in first out (LIFO) basis Inventories of sales items owned by foreign subsidiaries and inventories of operating supplies and parts are generally valued at average cost

Depreciation and Maintenance Fixed assets are depreciated over the estimated service lives of the respective classes of assets The straight line method is used for approximately 90% of the assets while a declining balance method is used for approximately 10% Actual or estimated expenditures for maintenance and repairs are charged currently to costs and expenses expenditures for renewals and betterments are generally capitalized Accumulated depreciation for property retired or otherwise disposed of is removed from the accumulated depreciation account with any gain or loss included in income

Deferred Income Taxes and Tax Credits Deferred income taxes are provided on timing differences between financial and tax reporting Tax credits are included as reductions of current income tax expense

Construction Contracts As construction contracts may extend over a period of years the Company reports income from such contracts on a percentage of completion method of accounting All known or anticipated losses on construction contracts are provided for currently Claims for additional compensation are recognized during the period such claims are resolved

Income (Loss) Per Share Income (loss) per share amounts are based upon the weighted average number of common shares outstanding during each year

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Notes to Financial Statements

1 Engineering/Construction Contracts Notes and accounts receivable at December 31 1986 include $22 611 000 ($19 [illegible]69 000 at December 31 1985) not currently collectible from customers in accordance with applicable retainage provisions of engineering/construction contracts Of the December 31 1986 amount about $18 930 000 is expected to be collected during 1987 and the remainder is due in subsequent years

Unbilled work on uncompleted contracts generally represents work currently billable and such work is usually billed during normal billing processes in the next month

2 Related Companies Undistributed earnings of unconsolidated subsidiaries and 20 50% owned companies included in consolidated retained earnings at December 31 1986 1985 and 1984 were as follows

	1986	1985	1984
		(In thousands)	
Unconsolidated subsidiaries	$238 543	$222 054	$2[illegible]2 820
20 50 owned companies	32 623	45 150	48 498

Undistributed earnings of $27 936 000 were restricted as to payment of dividends from unconsolidated subsidiaries at December 31 1986

Purchases from unconsolidated companies 50% or more owned were approximately $59 060 000 $41 269 000 and $43 947 000 during the years 1986 1985 and 1984 respectively Included in such purchases are payments of premiums for employees group insurance a portion of which was deducted from employees wage payments

3 Inventories Consolidated inventories at December 31 1986 and 1985 consisted of the following

	1986	1985
	(In thousands)	
Sales items	$ 94 667	$1[illegible]3 392
Supplies and parts	106 839	141 334
Work in process	30 346	[illegible]0 227
Raw materials	33 266	68 587
Total	$265 118	[illegible]73 540

Substantially all sales items (including related work in process and raw materials) except those owned by the Company s foreign subsidiaries are valued using the last in first out (LIFO) method If the average cost method had been in use for inventories on the LIFO basis total inventories would have been about $49 147 000 and $69 888 000 higher than reported at December 31 1986 and 1985 respectively

4 Property Plant and Equipment Major classes of fixed assets at December 31 1986 and 1985 were as follows

	1986	1985
	(In thousands)	
Land	$ 53 627	$ [illegible]4 072
Buildings	372 498	[illegible]16 855
Machinery and equipment	2 589 185	3 083 556
Other	292 325	327 820
Total	$3 307 635	$ [illegible]

Contractual obligations for construction and purchase of facilities and equipment at December 31 1986 amounted to approximately $53 000 000

5 Special Write downs Amounts reported for 1986 include write downs of $502 915 000 made in the second quarter to recognize the substantial erosion in the economic value of operating assets and related investments which occurred in both the oil field services and products and the marine engineering/construction services segments Because of the sudden and steep drop in the price of oil early in the year markets for the Company s services and products shrank significantly This sharp and enormous decline in demand resulted in large amounts of equipment and inventory becoming surplus to current and anticipated needs The write downs for 1986 may be summarized as follows

	Inventories	Property Plant and Equipment	Other	Total
		(In thousands)		
Oil field services and products	$ 99 142	$185 774	$23 716	$308 632
Marine engineering/construction services	8 424	131 257	54 602	194 283
Total	$107 566	$317 031	$78 318	$502 915

Tax benefits relating to these write downs increased the 1986 benefit for income taxes $14 182 000 This amount is after a reduction of $35 628 000 for the reversal of benefits relating to foreign tax credits recognized for the South Texas Nuclear Project litigation settlement in 1985 as the realization of such benefits appears doubtful

Amounts reported for 1985 include a marine charge of $257 830 000 This charge was made to recognize a significant reduction in the economic value of offshore equipment and other marine investments Tax benefits relating to this charge reduced the 1985 provision for income taxes $62 822 000

6 Extraordinary Item In December 1985 the Company and its wholly owned subsidiary Brown & Root Inc reached final settlements relating to litigation with four owners of the South Texas Nuclear Project (STNP) The amount paid by Brown & Root was $578 180 000 In 1985 the Company provided for this payment and other related expenses of the STNP litigation through a special charge against income of $607 429 000 ($368 012 000 net of related tax benefits of $239 417 000) The litigation related to a contract under which Brown & Root was designing engineering and constructing a two unit nuclear fueled generation plant in Matagorda County Texas

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7 Long Term Debt Long term debt at December 31 1986 and 1985 consisted of the following

	1986	1985
	(In thousands)	
10 [illegible] debentures due [illegible] 1 200[illegible] annual sinking fund installments [illegible] $13 300 000 commencing [illegible] 1996	$133 000	$133 000
9 25 debentures due [illegible] 1 200[illegible] annual sinking fund installments [illegible] $8 77[illegible] 000 in 1992 [illegible] 10 000 thereafter	88 775	88 77[illegible]
6 [illegible] notes due October [illegible] 1988	—	150 000
13 [illegible] notes due September [illegible] 198[illegible]		75 000
7 15 debentures due December 1 [illegible] with annual sinking fund installments [illegible] $89[illegible] 000 in 1990 and $2 500 000 thereafter	13 392	15 842
Other notes with varying interest rat[illegible]	10 061	14 820
	245 228	477 437
Less current maturities	4 153	29 78[illegible]
Total	$241 075	$147 6[illegible]

The maturities of long term debt outstanding at December 31 1986 for the five years commencing January 1 1987 are as follows 1987 $4 153 000 1988 $1 359 000 1989 $214 000 1990 $1 106 000 and 1991 $6 531 000

8 Lines of Credit The Company has arrangements with several U S banks to provide short term lines of credit totaling $420 000 000 No borrowings were outstanding at December 31 1986 under any of these credit facilities

9 Common Stock Under the terms of the Company s career executive incentive stock plan 5 000 000 shares of the Company s common stock were reserved for sale to officers and key employees at a purchase price not to exceed par value of $2 50 per share Shares sold under this plan are restricted as to sale or disposition by the employee with such restrictions lapsing periodically over an extended period of time At December 31 1986 previously unissued shares of 1 500 8[illegible]1 (net of 664 262 shares forfeited) have been issued under the plan The fair market value of the stock on date of issuance in excess of sales price is being amortized and charged to income (with similar credits to paid in capital in excess of par value) generally over the average period during which the restrictions lapse At December 31 1986 the unamortized excess amounted to $35 714 000 Net U S income tax benefits not affecting income which relate to outstanding restricted shares have been credited to paid in capital in excess of par value Common stock reserved at December 31 1986 for future issuance under the Company s career executive incentive stock plan totaled 499 106 shares At December 31 1986 the Company was authorized to purchase up to 7 097 496 common shares pursuant to a stock repurchase program announced November [illegible]1 1985

10 Series A Junior Participating Preferred Stock On May 20 1986 the Company declared a dividend of one preferred stock purchase right (a Right) on each outstanding share of common stock par value $2 50 per share (the Common Shares) Under certain circumstances each Right will entitle the holder thereof to buy one one hundredth of a share of a newly created Series A Junior Participating Preferred Stock without par value (the Preferred Shares) of the Company at an exercise price of $70 00 subject to adjustment The Rights will not be exercisable or transferable apart from the Common Shares until the earlier to occur of (i) 10 days following a public announcement that a person or group has acquired 20% or more of the Common Shares or (ii) 10 days following the announcement by a person or group of an intention to make an offer for 30% or more of the Common Shares The Rights will not have any voting rights or be entitled to dividends

If after the Rights become exercisable the Company is a party to a merger or other business combination transaction each Right will entitle its holder to purchase at the exercise price of the Right that number of shares of common stock of the acquiring company which at the time of such transaction would have a market value of two times the exercise price of the Right Alternatively if a 20% or more holder were to acquire the Company by means of a reverse merger in which the Company and its stock survive or were to engage in certain self dealing transactions each Right not owned by the 20% or more holder would become exercisable for the number of Common Shares which at that time would have a market value of two times the exercise price of the Right

The Rights are redeemable at $ 05 per Right at any time prior to the time that a person or group acquires beneficial ownership of 20% or more of the Common Shares The Rights will also be redeemable at such redemption price at the option of the Company s board of directors if the ownership percentages of such person or group should drop below 10% in a transaction or series of transactions not involving the Company The Rights will expire on June 1 1996

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11 Income Taxes The provision (benefit) for income taxes for 1986 1985 and 1984 are summarized as follows

	1986	[illegible]	1984
	(In th[illegible]nds)		
Current income taxes			
Federal taxes	S (87 830)	S [illegible]95	S 74 295
Foreign taxe	39 894	[illegible]	147 592
State taxes	(7 790)	[illegible]38	9 680
Total	(55 726)	[illegible]05	226 567
Deferred income taxes			
Federal taxes	23 730	([illegible]03)	16 826
Foreign and state taxes	(5 446)	[illegible]68)	(3 389)
Total	18 284	[illegible]971)	13 437
Total provision (benefit) for income taxes	S (37 442)	S1[illegible]34	S240 004

The provision (benefit) for deferred taxes which result from timing differences between financial and tax reporting are summarized as follows

	1986	[illegible]	1984
	(In tho[illegible]ands)		
Undistributed earnings of foreign subsidiaries and a domestic international sales corporation	S 6 288	S [illegible]274)	S (31 554)
Accrual for potential liability for prior years Federal income taxes	—	—	17 055
Benefit for accrual of interest relating to prior years Federal income taxes	(5 946)	[illegible]82)	(6 820)
Uncompleted engineering/construction contract	(11 516)	[illegible]43)	12 504
Special write downs	(3 940)	[illegible]42)	
Excess of tax over book depreciation	15 372	[illegible]322	17 224
Other items net	18 026	[illegible]	5 028
Total deferred tax provision (benefit)	S 18 284	S([illegible]971)	S 13 437

The domestic and foreign components of income (loss) before income taxes income of unconsolidated insurance subsidiaries minority interest and extraordinary item were as follows

	1986	[illegible]5	1984
	(In th[illegible]ands)		
Domestic	S(479 716)	S [illegible]	S389 179
Foreign	(116 651)	[illegible]66	141 382
Total	S(596 367)	S1[illegible]733	S530 561

Reconciliations between actual provision (benefit) for income taxes and income taxes computed by applying the U S statutory rate to income (loss) before income taxes income of unconsolidated insurance subsidiaries minority interest and extraordinary item were as follows

	1986		19[illegible]		1984	
	Amount	% of Pretax Income	Amount	[illegible] of [illegible]tax [illegible]me	A[illegible]nt	[illegible] of Pretax Income
			(Dollars in t[illegible]and)			
Provision (benefit) computed at statutory rate	$(274 329)	(46 0)%	S [illegible]7 777	[illegible]6 0	S[illegible]058	46 0
Increases (reductions) in taxes resulting from						
Tax credits	(8 421)	(1 4)	(15 805)	[illegible]8)	[illegible]577)	(2 4)
Special write downs	217 159	36 4	55 780	[illegible]6		
Accrual for potential liability for prior year income taxes	—	—			[illegible]055	3 2
Recoupment of taxes previously provided for domestic international sales corporation	—	—			[illegible]28)	(4 4)
Nontaxable interest income	(14)	—	(7 745)	[illegible]7)	[illegible]011)	(1 7)
Tax differentials on foreign earnings	32 415	5 4	28 016	[illegible]4	[illegible]537	3 3
Other items net	(4 252)	(7)	811	7	[illegible]070	1 2
Total	$ (37 442)	(6 3)%	S113 834	[illegible]9 2	S [illegible]004	45 2%

Undistributed earnings of consolidated foreign subsidiaries amounted to approximately $664 000 000 at December 31 1986 Deferred income taxes using the U S statutory rate (net of available foreign tax credits) have been provided on substantially all such earnings

Refundable income taxes of $104 565 000 and $234 004 000 reflected in the balance sheet at December 31 1986 and 1985 respectively are attributable to losses incurred in 1986 and the final settlement of the South Texas Nuclear Project litigation (see Note 6 on page 23)

BR00004017[illegible]

12 Quarterly Financial Information (Unaudited)

Summarized quarterly financial information for 1986 and 1985 is as follows

	First	Second	Third	Fourth
	(In thousands except per share data)			
1986				
Net revenues	$1 004 917	$ 854 904	$ 841 362	$ 808 256
Operating income (loss)*	20 656	(571 724)	(27 585)	(16 039)
Net income (loss)	11 233	(524 638)	(7 186)	5 377
Net income (loss) per share	11	(4 94)	(07)	05
Cash dividends paid per share	45	25	25	25
1985				
Net revenues	$1 173 737	$1 216 5[illegible]3	[illegible]	[illegible]
Operating income (loss)*	88 684	(1[illegible]3 7[illegible]	[illegible]2 76[illegible]	101 32[illegible]
Income (loss) before extraordinary item	5[illegible] 3[illegible]0	(14[illegible] 7[illegible]	[illegible] 373	[illegible] 764
Net income (loss)	56 360	(474 77	62 373	16 764
Income (loss) per share before extraordinary item	[illegible]2	(1 [illegible]5	[illegible]7	[illegible]
Net income (loss) per share	52	(13	57	16
Cash dividends paid per share	45	4	45	45

*Includes special charges of $[illegible]02 91[illegible] 000 and $257 830 000 in 1986 and 1985 respectively (see Note 5 on page 2[illegible])

13 Insurance Subsidiaries

COMBINED FINANCIAL POSITION

	1986	1985
	(In thousands)	
Assets		
Investments in fixed maturity securities at cost (market value $[illegible] 000 and $483 492 000 respectively)	$ 780 107	$ 494 033
Investments in equity securities at market value (cost [illegible] and [illegible] 000 respectively)	4 376	18 676
Cash and short term investments	96 098	225 720
Mortgage loans [illegible]	79 565	[illegible]7 200
[illegible] loans	53 904	[illegible]6 [illegible]87
Other	152 952	11[illegible] 370
Total assets	$1 167 002	$1 01[illegible] 4[illegible]6
Liabilities and Equity		
Provision for losses and adjustment expenses	$ 671 908	$ 541 163
Unearned premium	55 410	[illegible]0 389
Funds held under reinsurance contracts	29 844	42 312
Other	114 546	104 223
Halliburton Company equity adjusted for net unrealized gain of $14 [illegible] in 1986 and $2 085 000 in 1985 on investments in equity securities	295 294	[illegible]80 399
Total liabilities and equity	$1 167 002	$1 018 486

COMBINED OPERATING RESULTS

	1986	1985	1984
	(In thousands)		
Net earned premiums and agency income	$381 431	[illegible]94 684	$210 227
Underwriting expenses	421 776	[illegible]31 772	233 662
Underwriting loss	(40 345)	([illegible]0 088)	(23 435)
Investment income net of investment expenses and including realized gains	85 182	68 814	[illegible]4 2[illegible]4
Income before income taxes	44 837	[illegible]8 72[illegible]	40 [illegible]
Benefit (provision) for income taxes	(4 795)	7 3[illegible]8	[illegible] 210
Net income	40 042	36 084	42 039
Parent company benefit (provision) for deferred income taxes on undistributed foreign subsidiary earnings	384	[illegible]	4 [illegible]
Parent company amortization of goodwill	(28)	(28	28)
Net income as reported in consolidation	$ 40 398	$ 36 152	$ 41 585

The insurance subsidiaries consist of Highlands Insurance Company and its subsidiary companies and Highlands Overseas Limited Highlands Lloyds Highlands Limited Underwriters Special Risks Inc and its subsidiary companies and Southern California Bonding Service Inc Life Insurance Company of the Southwest and Health Economics Corporation and its subsidiary company

BR000040780

14 Business Segme[illegible] form[illegible]

SEGMENT [illegible]

	[illegible]			[illegible]		
	1986	[illegible]	[illegible]	1986		[illegible]
			(In thou[illegible])			
[illegible]	$1 797 725	$2 [illegible]	[illegible]	$(355 394)	[illegible]	$ [illegible]
[illegible]	1 342 840	[illegible]	[illegible]	(10 181)	[illegible]	3 29[illegible]
[illegible]	368 874	[illegible]	[illegible]	(229 117)	[illegible]	11 033
Con[illegible]	$3 509 439	[illegible]	[illegible] 415 719	$(594 692)	[illegible] 073	$197 8[illegible]

	[illegible]		
	1986	[illegible]	19[illegible]1
		(In thous[illegible])	
Oil fi[illegible]	$1 789 845	[illegible]	$2 640 031
[illegible]	343 653	379	[illegible]
M[illegible]	313 647	4[illegible]	[illegible]
[illegible] corp[illegible]	880 883	1 198	1 4[illegible]
C[illegible]	$3 328 028	$4 [illegible]	[illegible]

	C[illegible] Expe[illegible]			D[illegible]		
	1986	[illegible]	1981	1986	[illegible]	1984
			(In thousan[illegible])			
Oil [illegible]	$ 81 112	[illegible]	$ 133 [illegible]	$ 235 719	[illegible] 078	$2[illegible]
[illegible]	12 523	[illegible]	[illegible]	19 421	21 112	23 [illegible]
[illegible]	3 842	[illegible]	102 761	25 594	[illegible] 578	65 461
Co[illegible]	$ 97 477	$ [illegible]	$ [illegible] 118	$ 280 734	$ 342 7[illegible]	$368 60[illegible]

GEOGRAPHIC [illegible]

	Net Reve[illegible]			Operating Income (Loss)		
	1986	1985	1981	1986	1985	1981
			(In th[illegible])			
U[illegible] States	$2 464 438	$3 378 [illegible]	3 357 7[illegible]	$(475 756)	$ [illegible]	$313 [illegible]
Europe	378 239	[illegible]	[illegible]	(86 193)	[illegible]	80 837
[illegible]	666 762	[illegible]	1 038 [illegible]	(32 743)	118 333	73 552
C[illegible]olidated [illegible]	$3 509 439	$1 778	[illegible]	$(594 692)	$ [illegible]	$497 890

	I[illegible]		
	1986	[illegible]	1984
		(In thou[illegible])	
[illegible] St[illegible]	$1 610 4[illegible]	[illegible]	$[illegible] 385 [illegible]
[illegible]	237 068	[illegible]	[illegible]
[illegible]	599 620	[illegible]	[illegible]
Gen[illegible]	880 883	1 198 [illegible]	[illegible]
Con[illegible]	$3 328 028	[illegible]	[illegible]

See Company Pro[illegible] [illegible] cover for a [illegible] tion of busine[illegible]

Oil field ser[illegible] [illegible] [illegible] operating lo[illegible] in 1986 includes spec[illegible] [illegible] 308 [illegible] 000 Marine engineering/constr[illegible] [illegible] losses in 1986 and 1985 include special w[illegible] [illegible] $19[illegible] [illegible]83 000 and $257 830 000 respect[illegible] [illegible] 5 on page 23)

The Company's eq[illegible] [illegible] or losses of joint ven ture operations is [illegible] revenues and operating income of each appl[illegible]

General corporat[illegible] $16 273 000 for 1986 $14 976 000 for 1985 [illegible] for 1984 were allocated to business segments General corporate assets (including $165 326 000 located outside the United States at December 31 1986) are principally cash refundable Federal income taxes and equity in and advances to unconsoli dated companies

Segment information relating to sales or transfers be tween business segments intercompany sales or transfers between geographic areas equity in net income and in net assets of unconsolidated companies whose operations are vertically integrated export sales to unaffiliated com panies and information about major customers are not re flected herein because such items are immaterial

BR00[illegible]1[illegible]

15 **Foreign Currency Translation** The Company considers that current operations of its foreign branches and subsidiaries are generally an extension of domestic activities thus the functional currency of its foreign operations is the U S dollar Since the functional currency of foreign operations is the same as the reporting currency translation adjustments and transaction gains or losses are recognized in consolidated income in the year of occurrence

Exchange gains (losses) recorded in 1986 1985 and 1984 were S4 514 000 S(19 530 000) and S(1 515 000) respectively

16 **Research and Development** Research and development expenses are charged to income as incurred Such charges were S66 662 000 in 1986 S77 310 000 in 1985 and S75 097 000 in 1984

17 **Lease Information** At December 31 1986 the Company was obligated under noncancelable operating leases expiring on various dates to 2040 principally for the use of land offices and field facilities Aggregate rentals charged to operations for such leases totaled S35 161 000 in 1986 S36 432 000 in 1985 and S30 906 000 in 1984 Future aggregate minimum rentals on noncancelable operating leases are as follows 1987 S29 079 000 1988 S21 858 000 1989 S16 170 000 1990 S12 316 000 1991 S10 790 000 and thereafter S73 445 000

18 **Retirement Plans** The Company has various retirement plans which cover a significant number of its employees Contributions to the major plans are based upon current year s net income with such contributions being paid annually into employee benefit trust funds Other plans include pension plans which are being funded to operate on an actuarially sound basis The related fund assets and balance sheet accruals at December 31 1986 approximated the aggregate value of actuarially computed vested benefits and past service benefits not vested Company contributions to such plans totaled S8 462 000 S62 440 000 and S83 252 000 in 1986 1985 and 1984 respectively

19 **Reclassifications** Certain reclassifications have been made to previously reported amounts to conform such amounts to the 1986 financial statement presentation

BR000040182

Auditors' Report

To the Shareholders and Board of Directors
Halliburton Company

We have examined the consolidated balance sheet of Halliburton Company (a Delaware corporation) and subsidiary companies as of December 31 1986 and 1985 and the related consolidated statements of income retained earnings changes in financial position and changes in capital stock and paid in capital for each of the three years in the period ended December 31 1986 Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances

In our opinion the consolidated financial statements referred to above present fairly the financial position of Halliburton Company and subsidiary companies as of December 31 1986 and 1985 and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31 1986 in conformity with generally accepted accounting principles applied on a consistent basis

ARTHUR ANDERSEN & CO

Dallas Texas
February 6 1987

BR000040/83

Ten Year Financial Record

	1986	1985	1984
Operating Results			
Net revenues			
Oil field services	$1 025 585	$ 1 612 584	$ 1 815 983
Oil field products	772 140	1 312 490	1 360 356
Total oil field services and products	1 797 725	2 925 074	3 176 339
Industrial engineering/construction services	1 342 840	1 311 357	1 574 292
Marine engineering/construction services	368 874	542 264	695 088
Total Net Revenues	3 509 439	4 778 695	5 445 719
Operating income (loss)			
Oil field services and products	(355 394)*	335 335	478 558
Industrial engineering/construction services	(10 181)	26 712	8 299
Marine engineering/construction services	(229 117)	(272 974)	11 033
Total Operating Income (Loss)	(594 692)	89 073	497 890
Nonoperating income (expense) net	(1 675)	25 660	32 671
Benefit (provision) for income taxes	37 442	(113 834)	(240 004)
Net income of unconsolidated insurance subsidiaries	40 398	36 152	41 585
Minority interest in net (income) loss of consolidated subsidiaries	3 313	(8 315)	(2 547)
Income (Loss) Before Extraordinary Items	(515 214)	28 736	329 595
Extraordinary items net of income taxes	—	(368 012)	—
Net Income (Loss)	(515 214)	(339 276)	329 595
Percent of net income (loss) to revenues	(14 7)%	(7 1)	6 1%
Income (loss) per share before extraordinary items adjusted for stock splits	(4 85)	27	2 87
Net income (loss) per share adjusted for stock splits	(4 85)	(3 12)	2 87
Cash dividends per share adjusted for stock splits	1 20	1 80	1 80
Percent of net income (loss) to average equity of shareholders	(21 0)%	(10 9)	9 3%
Financial Position			
Current assets	$1 680 502	$ 2 403 282	$ 2 831 035
Current liabilities	742 816	1 144 794	1 256 223
Working Capital	937 686	1 258 488	1 574 812
Property plant and equipment net	1 025 762	1 571 780	1 860 669
Other assets less other liabilities	427 799	475 238	428 865
Net Assets	2 391 247	3 305 506	3 864 346
Long term debt	241 075	447 652	480 155
Shareholders Equity	2 150 172	2 857 854	3 384 191
Book value per share adjusted for stock splits	20 30	26 30	31 19
Average common shares outstanding adjusted for stock splits	106 121	108 647	114 855
Other Financial Data			
Long term borrowings net of reductions	$ (206 577)	$ (32 503)	$ (250 089)
Issuance (purchase) of common stock net	(70 902)	(317)	(319 155)
Acquisitions of property plant and equipment	97 477	239 062	262 448
Net property plant and equipment of businesses acquired	—	43 590	8 553
Depreciation and net book value of fixed assets retired	300 418	384 027	396 214
Payroll and employee benefits	1 752 841	2 175 547	2 316 018
Number of employees	46 909	64 955	67 540

Oil field services and products operating loss in 1986 includes special write downs of $308 632 000 Marine engineering/construction operating losses in 1986 and 1985 include special write downs of $194 283 000 and $257 830 000 respectively (see Note 5 to financial statements on page 23)

BR00040184

1983	1982	1981	1980	1979	1978	1977
(In thousands except per share data and number of employees)						
$ 1 576 171	$ 2 075 085	$ 2 115 320	$ 1 589 871	$ 1 101 710	$ 888 987	$ 720 337
1 291 396	1 770 991	1 954 729	1 485 596	1 072 933	852 324	682 491
2 867 567	3 846 076	4 070 049	3 075 467	2 174 643	1 741 311	1 402 828
1 824 806	2 274 042	2 892 530	2 701 265	2 900 481	2 472 112	1 958 637
829 805	1 137 173	1 545 554	1 313 275	1 101 500	1 037 370	1 049 660
5 522 178	**7 257 291**	**8 508 133**	**7 090 007**	**6 176 624**	**5 250 793**	**4 411 125**
402 001	786 544	997 099	710 239	428 360	385 888	329 251
42 205	35 357	60 316	48 167	76 293	112 772	71 180
56 800	34 576	123 415	95 434	90 919	160 781	217 517
501 006	**856 477**	**1 180 830**	**853 840**	**595 572**	**659 441**	**617 948**
(5 530)	(53 338)	(69 215)	(31 551)	16 651	25 845	11 061
(220 446)	(325 333)	(465 548)	(347 624)	(256 543)	(306 295)	(287 366)
43 887	39 287	33 506	26 285	22 359	19 171	15 178
(4 079)	(5 445)	(5 305)	(652)	(640)	(1 124)	(1 715)
314 838	**511 648**	**674 268**	**500 298**	**377 399**	**397 038**	**355 106**
(39 023)	(14 803)	—	—	—	—	—
275 815	**496 845**	**674 268**	**500 298**	**377 399**	**397 038**	**355 106**
5.0%	6.8%	7.9%	7.1%	6.1%	7.6%	8.1%
2.66	4.34	5.72	4.25	3.21	3.38	3.03
2.33	4.21	5.72	4.25	3.21	3.38	3.03
1.65	1.60	1.30	1.05	.92	.75	.55
7.8%	14.9%	23.4%	20.6%	17.9%	22.0%	23.6%
$ 3 140 389	$ 2 828 119	$ 2 890 713	$ 2 490 409	$ 2 067 324	$ 1 804 447	$ 1 791 905
1 283 483	1 124 295	1 491 580	1 350 001	1 163 118	864 070	842 140
1 856 906	**1 703 824**	**1 399 133**	**1 140 408**	**904 206**	**940 377**	**949 765**
2 087 488	2 264 466	2 181 941	1 821 897	1 564 270	1 322 975	1 027 564
357 377	259 080	327 621	256 511	72 818	(2 277)	(17 195)
4 301 771	**4 227 370**	**3 908 695**	**3 218 816**	**2 541 294**	**2 261 075**	**1 960 134**
730 244	745 285	741 578	583 723	290 512	285 247	298 851
3 571 527	**3 482 085**	**3 167 117**	**2 635 093**	**2 250 782**	**1 975 828**	**1 661 283**
30.18	29.49	26.85	22.39	19.14	16.82	14.16
118 250	118 068	117 839	117 698	117 615	117 486	117 269
$ (15 041)	$ 3 707	$ 157 857	$ 293 211	$ 5 265	$ (13 604)	$ (13 075)
268	88	77	(245)	(495)	(330)	(74)
242 805	488 305	697 063	545 584	490 171	393 847	273 382
—	—	156	1 974	958	118 862	6 285
419 783	405 780	336 722	289 931	249 834	217 298	201 048
2 381 227	2 830 077	3 146 813	2 837 440	2 597 107	2 090 647	1 734 467
73 165	83 748	109 268	114 968	112 146	110 389	87 853

BR000040185

Management

Board of Directors

Anne L Armstrong (1977)
Ch irm n of the ... Foreign Intelligence Advisory Board; Chairman of the Board of Trustees, Center for Strategic and International Studies; director of several corporations; former Ambassador to Great Britain
Armstrong, Texas

T Louis Austin Jr (1983)
Pr ident and C ... Executive Offic r of Brown & Root
Hou ton T

Alex E Barron (1974)
Vi Chairman ... dian General Investment Limited; director of ... corporations
Toronto, C n

Edwin L Cox (1979)
Chairm n of Co ... Inc
Dallas, Texas

Robert L Crandall (1986)
Ch irm n and President, AMR Corporation and American Airlines
Dallas-Fort Airport, Texas

Thomas H Cruikshank (1977)
President and Chief Executive Officer of Halliburton Co
Dallas, Texas

James W Glanville (1977)
General Partner ... & Co
New York, ...

Guy T McBride Jr (1972)
President Em ... olorado School of Mines
Golden, Col

The Rt Hon Lord Polwarth (1974)
Director ... nk of Scotland; director of several corporations
Edinburgh, Scotland

B G Taylor (1981)
Executive Vice President – Oil Field Services, Halliburton Company; Chairman and Chief Executive Officer of Halliburton Services Division
Dallas, Tex

E L Williamson (1981)
Chairman and Chief Executive Officer of The Louisiana Land and Exploration Company
New Orleans, Louisiana

Executive Committee

T Louis Austin Jr
President and Chief Executive Officer of Brown & Root, Inc
Houston, Texas

Lester L Coleman
Senior Vice President – Administration and Corporate Development of Halliburton Company
Dallas, Texas

Thomas H Cruikshank
President and Chief Executive Officer of Halliburton Company
Dallas, Texas

J A Dunlop
President, Halliburton Services Division
Duncan, Oklahoma

Dale P Jones
President ... x Division
Houston, Texas

Jack W Miller
Senior Vice President – Finance of Halliburton Company
Dallas, ...

B G Taylor
Executive Vice President – Oil Field Services of Halliburton Company
Dallas

Purvis J Thrash
President of ... Engineering Corporation
Dallas, Texas

Corporate Officers

Halliburton Company
Dallas, Texas

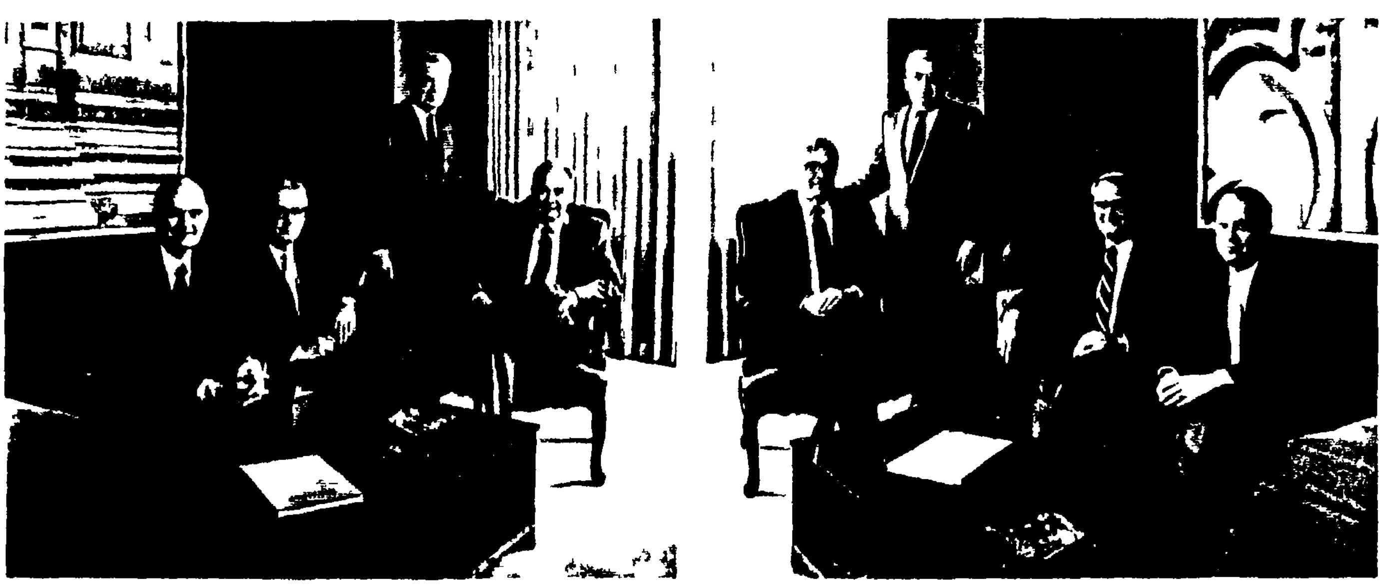
Thomas H Cruikshank President and Chief Executive Officer
B G Taylor Executive Vice President – Oil Field Services
Jack W Miller Senior Vice President – Finance
Lester L Coleman Senior Vice President – Administration and Corporate Development
Robert M Kennedy Vice President – Legal
Jack R Skinner Vice President – Taxes
James G Nuland Vice President – Investor Relations
Kenneth V Jenkins Controller
C Robert Fielder Treasurer
Susan S Keith Secretary

Member of Compensation and Audit Committees

Date indicates year of election to the Board of Directors

Executive Committee

Lester L Coleman   Purvis J Thrash   T Louis Austin Jr   B G Taylor   Thomas H Cruikshank   Jack W Miller   J A Dunlop   Dale P Jones



BR000040/86

Corporate Information

Principal Operating Officers

Halliburton Services Division
Duncan Oklahoma

B G Taylor

J A Dunlop
J G Cook

Ken R LeSuer

Otis Engineering Corporation
Dallas Texa

Purvis J Thrash
Don Y Fisher Vice Pr

Welex Division
Houston Texas

B G Taylor

Dale P Jones

Halliburton Resource Management Division
Dalla Texas

R N Killman

Vann Systems Division
Hou ton Texas

A A Baker

Brown & Root Inc
ton Texas

T Louis Austin Jr
W Bernard Pieper

NUS Corporation
Gaithersburg Maryland

Charles F Jones

Highlands Insurance Company
Houston Texas

Harold G Duble

Life Insurance Company of the Southwest
Dallas Texas

Richard R Lee

Oil Field Services and Products

Halliburton Services Division
73536

Otis Engineering Corporation
x 8190
31 9052

Welex Division
x 42

Halliburton Resource Management Division
x 1 11

Vann Systems Division
x 4449
7 10

Halliburton International Inc

Jet Research Center Inc
x 2
x 6(04 0246

FreightMa tor Division
x 4199
orth 6140 6555

Engineering and Construction Services

Brown & Root Inc
x 3
01 0003

Brown & Root U S A Inc
3
01 0003

Brown & Root International Inc
01 0003

Taylor International Inc
0 6299

Mid Valley Inc

Brown & Root Development Inc
10 1

NUS Corporation
burg Maryland 20878 1399

Insurance Services

Highlands Insurance Company
00 7392

Life Insurance Company of the Southwest
47 1976

Health Economics Corporation
4976

Shareholder Information

Corporate Office

3600 Lincoln Plaza
500 North Akard St
Dallas Texas 75201 3391
(214) 978 2600

Shares Listed

New York Stock Exchange
Symbol HAL
The Stock Exchange London
Swiss Stock Exchanges at Zurich
Geneva Basel and Lausanne
The Toronto Stock Exchange

Transfer Agents and Registrars

Principal Agent
RepublicBank Dallas N A
Pacific at Ervay
Dallas Texas 75201

Morgan Shareholder Services
Trust Company
30 West Broadway
New York New York 10015

Central Trust Company
1 First Canadian Place
PO Box 38
Toronto Ontario M5X 1G4

Form 10 K Report

Shareholders can obtain a copy of the Company s annual report to the Securities and Exchange Commission Form 10 K by writing to

Vice President Investor Relations
Halliburton Company
3600 Lincoln Plaza
500 North Akard St
Dallas Texas 75201 3391

BR00004018 7

Halliburton Company

SERVING THE ENERGY INDUSTRIES WORLDWIDE

BR000040/88